SOUTH EAST EUROPIAN UNIVERSITY

Faculty of Business and Econimics
Departament of Management

MASTER THESIS

Topic: The influence of family wealth succession in the family business and their performance

Mentor:
Prof. Dr. Gadaf Rexhepi

Prepered by:
Sara Muça

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Declaration

I hereby confirm that the submitted Master Thesis was written autonomously by me and I did not use any other sources or means than declared in this work. The collaborative contribution have been indicated clearly and acknowledged below. Furthermore, I declare that composed work has not been submitted for any other degree or professional qualification.

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Abstract

The aim of this research is to analyze the functioning of business families in Macedonia, with an emphasis on several key factors affecting the division of business families. The main reason for selecting this topic was the continuous increased number of family businesses which are facing such problems. This research will study the division of family businesses between family members while the family wealth is inherited and the effect of tradition which is considered as a main cause to show in surface this phenomenon in Macedonia.

Taking into consideration the successful family businesses all around the world which through cooperating with each other have increased their capital, profitability, productivity and their financial performance, gives us the opportunity to prove that the partnership is a positive form of business organization and offers better results rather than acting individually. Dominant society traditions willingly or unwillingly of business owners are participating in the functioning of their businesses. They have impact in family businesses in different ways but always bringing the same results toward division of the businesses. Exclusion of women from the family business also is considered as a part of tradition in society. In majority of family businesses in Macedonia, only men are involved in their business, not allowing women to participate and to contribute to the family business even though they may have the appropriate qualifications to work in specific position in the company.

This research would not be completed without the help of the companies that agreed to respond to our questionnaire. The results provided by the questionnaires have helped us to have a clearer picture of the main issues that represent an obstacle for achieving a successful cooperation of family businesses in Macedonia. The results also have contributed to the assessment of the hypothesis that we have determined regarding the division of family businesses as well as these results are a good sample to give some recommendations to the family businesses to establish organizational culture which determine the roles of each family member in the company, to measure correctly their performance in work and as well as to motivate them for better results. Family businesses in Macedonia should follow the steps of the successful companies in the developed countries and not to fall into the trap of primitive traditions.

Abstrakt

Qëllimi i këtij punimi është që të analizojmë mënyrën e funksionimit të bizneseve familjare në Maqedoni, duke i vënë theks të veqantë faktorëve kryesorë që ndikojnë në ndarjen e bizneseve familjare. Arsyeja kryesore e përzgjedhjes së kësaj teme ka qenë rritja e vazhdueshme e numrit të bizneseve familjare të cilat ballafaqohen me probleme të tilla. Ky hulumtim do të studijon ndarjen e biyneseve familjare në mes antarëve të familjes gjate ndarjes së pasurisë familjare si dhe traditat e ndryshme të cilat janë një ndër arsyet kyqe në Maqedoni që si rezultat kanë sjellur ndarje të bizneseve familjare.

Duke pasur parasysh bizneset familjare në botë të cilat çdo ditë e më shumë janë duke u orientuar drejt bashkpunimit me qëllim të rritjes së kapitalit, profitabilitetit, produktivitetit dhe performancave financiare, mund të dëshmojmë që bashkpunimi mes bizneseve familjare është fenomen pozitiv që rrit performancat e bizneseve më shumë se sa të vepruarit në mënyrë individuale. Traditat dominuese ne shoqëri, me dëshirë apo pa dëshirën e pronarëve të bizneseve janë pjesëmarëse në funksionimin e bizneseve të tyre. Ato në bizneset familjare kanë ndikuar në forma të ndryshme duke sjellur rezultate të njejta drejt ndarjes së bizneseve. Mos involvimi i femrave në bizneset familjare gjithashtu konsiderohet si një faktor që rrjedh nga traditat shoqërore. Në numrin më të madh të bizneseve familjare në Maqedoni janë të kyqur vetëm meshkujt duke mos ju dhënë mundesinë femrave që të kontribojnë në biznesin familjar edhe pse ato mund të kenë kualifikimet e duhura për të punuar.

Ky hulumtim nuk do të ishte kompletuar pa ndihmën e kompanive të cilat pranuan që të përgjigjen në pyetsorët e parashtruar. Rezultatet e mbeldhura nga pyetsorët kanë ndihmuar që të kemi një pasqyrë më të qartë rreth qështjeve kryesore të cilat pengojnë një menaxhim të suksesshëm të bizneseve familjare në Maqedoni, kanë kontribuar në testimin e hipotezave që kemi vendosur në lidhje me ndarjen e bizneseve familjare si dhe këto rezultate janë një provë e mirë për të dhënë disa rekomandime për bizneset familjare të cilat duhet të krijojnë kultura organizative dhe forma të duhura të menaxhimit të biznesit të tyre, të cilat shërbejnë për të përcaktuar saktë rolet e antarëve të familjes në biznes e cila konsiderohet si një matës i mirë i performancës së tyre në kompani si dhe në disa raste edhe për ti mjet motivues. Këto biznese në Maqedoni duhet të marrin si bazë kompanitë e sukseshme në botë dhe të arrituar e tyre nga bashkpunimet që kanë realizuar dhe mos të bien prehë e traditave dhe zakoneve primitive në shoqëri.

Абстракт

Целта на ова истражување е да се анализира начинот на функционирање на семејните бизниси во Македонија, ставајќи посебен акцент на главните фактори кои влијаат на поделбата на овие бизниси. Главната причина за изборот на оваа тема беше континуираното зголемување на бројот на семејни бизниси кои се соочуваат со вакви проблеми. Ова истражување ќе ја проучува поделбата на семејното богатство меѓу членовите на семејството и влијанието на различните традиции врз семејните бизниси.

Со оглед на светските семејни бизниси кои секојдневно се фокусираат на соработка, со цел да го зголемат капиталот, профитабилноста, продуктивноста и финансиските перформанси, можеме да докажеме дека соработката меѓу семејните бизниси е позитивен феномен кој го подобрува деловниот настап повеќе отколку кога тие дејствуваат поединечно. Доминантните традиции во општеството, доброволно или неволно на сопствениците на бизниси, се вклучени во функционирањето на нивните бизниси. Традициите во семејните бизниси имаат влијание врз различни форми, доведувајќи истите резултати на поделбата на бизнисите. Невклучувањето на жените во семејните бизниси исто така се смета како фактор кој произлегува од социјалните традиции. Во најголемиот број на семејните бизниси во Македонија, само мажите се вклучени во бизнисот, не дозволувајќи им на жените да придонесат за семејниот бизнис, иако тие можат да имаат право квалификации за работа.

Ова истражување не би било завршено без помош на компаниите кои се согласија да одговорат на доставените прашалници. Резултатите од прашалникот помогнаа да се добие појасна слика за клучните прашања кои го попречуваат успешното управување со семеен бизнис во Македонија, придонесоа за тестирање на хипотезите што ги одредивме во врска со поделбата на семејните бизниси и овие резултати се добар тест за давање некои препораки за семејните бизниси кои треба да создадат организациска култура и соодветни форми на управување со бизнисот , кои служат за одредување на улогите на членовите на семејството во бизнис кој се смета за добра мерка за нивното работење во компанијата и во некои случаи и како мотивирачка алатка. Овие бизниси во Македонија треба да ги преземат врз основа успешните компании во светот и нивните достигнувања од соработката што ја реализираат и да не паднат во стапицата на примитивните традиции и примитивните навики на општеството.

Table of Contents

List of Figure

List of Tables

FIRST CHAPTER: Study Frame Work

Introduction

Family businesses are the oldest form of the business organization and are recognized as important drivers in the world economy. They are a vital pillar of the economy, where their contribution to global products and services ranges from 70 to 90 percent. At the same time they are responsible for approximately 60 percent of employees. The transfer of ownership of the company to offspring is a problematic and very pronounced in every country, including developed countries. When the family businesses are driven by the society mentality, the incumbent hesitates to define clear succession plan to transfer the property, always under the assumption that the time improves everything. The lack of effort to define the property inheritance has brought a lot of trouble to the offspring. In many cases, rather than contributing to improve the relationships within the family, it exacerbates them. This kind of culture takes even more disturbing dimensions to those who run the business by the family, hindering their development and sustainability.

In the first steps of their development, all responsibility falls into the hands of the founder. The latter, based on the credibility, harmony, and internal values of family members engaging in work, usually reaches outward challenges and to perform successfully. In the later stages, when business grows and as a result the complexity of management increases and the same goes through many difficulties, mainly as a result of not clearly defining roles and responsibilities. Difficulties become even more pronounced when business leadership has to go from one generation to the next. Over time, when generations are changed, the relationship between family members is weakened, and the family members that once helped the advancement of the business fade away. Recent family business researches show that more than half of businesses fail when they transfer the second or third generation to leadership.

Among the many influencing factors that lead to bankruptcy is the lack of a constructive plan of succession, which clearly specifies the firm's leadership in the future. The situation is present to Macedonia as well. Family businesses are over 80 percent registered and functional businesses. A large number of these companies are also on the verge of transition to the second generation. Moreover, the same study underlines that detailed planning of inheritance transfer is a practice that very few find application in family businesses. This reality creates the immediate need for a detailed plan of succession. Otherwise, management and operational barriers will go deeper and as a result it will affect performance and potentially lead to closure of the businesses concerned. This issue can be solved when will be developed a model for not to fail family businesses after transferring the property from one generation to the next one without turbulence. At the same time, it will provide greater durability for them, making the chances of their closure being reduced.

Research Goals and Objective

The main goals of this research are to explore the role of the family wealth distribution in the family businesses in Macedonia. While in developed countries family businesses are more interested to cooperate with each other and this direction makes them more successful but on the other side for family businesses in Macedonia partnership is considered as an obstacle to achieve success. Through underestimating this opportunity these companies in majority cases show lower performances operating individually because they don't see the benefits that offer the collective work with family members.

The objective of our research is to identify if the traditions have impact in the family business division or the family businesses fail to continue with family members because conflicts between family members are more complex and impossible to be solved in majority of the cases. Also we will analyze the industry where family businesses operate more in the Macedonia and we will conclude if these problems occur in all industries and in which industry are more highlighted.

Research Variables

According to questionnaires that were distributed to 60 companies, we have different variables which are divided on dependent and independent variables.

1. Dependent Variables:
   - Divided family businesses
2. Independent Variables:
   - Share of heritage
   - Industry
   - Education
   - Company size
3. Latent variables
   - Financial performance
   - Non-financial performance

Research Questions

Our study involves four main research questions, on which are based our further analyzes. Six research hypotheses are:

1. Share of heritage affects the division of family businesses.
2. Type of industry affects the division of family businesses.
3. Education level affects the division of family businesses.
4. Company size affects the division of family businesses.
5. Division of family businesses affects negatively their financial performance.

6. Division of family businesses affects negatively their non-financial performance.

The reasons why we have chosen to analyze hypothesis mentioned above are the family businesses in Macedonia which have important role in our economy and in their business life. So with this study we are preoccupied to find the right advice for small, medium and big family businesses which will improve their management and in the same time they will become aware for the siblings partnership benefits.

The effects of the traditions in family wealth distribution will be tested through the first hypothesis. As we are focused in finding the reasons why family businesses are more willing to work divided, in my opinion tradition have huge impact in their division. When the family members decide to separate the family's property they divide the family business too. In the past and till now in Macedonia the land inherited from the parents is divided between family members, so everyone takes its part. When the land is divided they lose the opportunity to cooperate with each other through doing successful investments.

The second hypothesis aims to analyze the industry where the company operates as an important factor to divide family businesses because some industries need professionals and are better managed without family members who are not specialized in the specific sphere. Here are included manufacturing industries where the family members should be present in the company for a long time to gain knowledge and experience.

Third hypothesis aims to show the level of the education in division of family businesses. With this hypothesis we want to analyze level of education of the owners and to come to a conclusion which ones are more willing to divide their family business, those with lower level or higher level of education.

The effect of company size in the family business division with be analyzed in the fourth hypothesis. Its aim is to see which companies; small, medium or big are more divided from sibling's partnerships, where the size of the company will be measured with the number of employees.

The fifth hypothesis aims to show that in fact when family businesses are divided or in the other words when each sibling from one family found their own company at the same time they will be competitors with each other and in majority cases this competition affects negatively their non-financial performance. In these cases family businesses are less creative and do less successful innovations because instead of taking the opinion of more people, the decisions are taken from one person without discussing with the others and this person not always can see all advantages and disadvantages of that decision.

The last hypothesis will help us to test the company's financial performance individually comparing with that collectively, where again we think that collectively family businesses are more profitable and more productive.

SECOND CHAPTER: Literature Review

1. Definition of Family Business

How to define a family business is one of the most discussed issues in the last decades (Chittor & Das, 2007). The use of various terms like family-owned, family controlled and family managed by academics and consultants enabled to understand the family business in different aspects and to identify different family business models (Astrachan & Zelleweger, 2008). To avoid this heterogeneity, many researchers have tried to develop a general definition that will be short, clear and widely accepted but unfortunately there is no consensus. There are a few working definitions which are not uniform and have evaluated over the years (Wortman, 1995). However, they matters in different ways depending on the field of study (Chrisman, Chua, Pearson, & Barnett, 2012).

Family businesses are the backbone of world's economy by offering opportunity for future generations with separation of power, providing financial independence, percentage of ownership, voting control, power over strategic directions and involvement of family members with significant management responsibilities in daily operations (Shanker & Astrachan, 1996). They are the oldest form of business organizations that are actively owned or managed by two or more family members. Despite this simple structure of organization, the vision, mission, strategies, structure and culture make them unique groups with unique management and ownership (Lansberg, 1983). Family businesses are those who make good balance between family dynamics and business management to improve or minimize conflicts and maximize the professional work (Carlock & Ward, 2001). They do different combinations of family members in numerous business roles or positions, including parents, children, extended families and multiple generations to achieve mutual goals, adequate incomes, to raise sales in the community, to improve chances of consensus and support and to share similar expectations (Danes, Rueter, Kwon, & Doherty, 2002).

Family businesses are recognized as important category of commerce and dynamic participants in the world economy, who may have some advantages over other business entities. The main advantage is that in the business they include the family relational bones among family members. Social culture created by family members drive the company to mutual awareness, emotional involvement and shared identity (Davis & Tagiuri, 1989). Family members are focused on sharing deeply rooted values to lead the company with sense of harmony. This harmony affects positively company's performance and achievements (Danes, Rueter, Kwon, & Doherty, 2002). In every sector family businesses are the most dominant forms of business entities. They provide jobs for family members and the others to achieve their goals with effective advices, special knowledge and skills (Novak, 1983). The greatest opportunity that family business offers is the involvement of the women in the business and treating fairly (Jaffe, 1990). Based on some researches last five years family businesses who are controlled by the women are twice more successful and efficient in their performance (Tagiuri & Davis, 1996). Family businesses can be owned and managed by other individuals who are not from the family but family members are considered to drive the company more successfully because they are more dedicated and loyal (Danes, Rueter, Kwon, & Doherty, 2002).

1.1 Values of Family Business

Family businesses create sustainable values for themselves, their stakeholders, society in general and future generations. Values are the spirit of family business, combination of family and business creates a set of values divided in economic and noneconomic values which have huge impact in business strategies, social responsibilities (Kontinen, 2011) decision-making and business management (Chrisman, Kellermanns, Chan, & Liano, 2010). All family businesses have similar values which are considered as strong part of family business system (Davis & Rosool, 1988a). The owning of family business system makes the difference from non-family businesses in many ways, the first ones are more humane and more emotional whereas the last ones are more impersonal, transactional directed toward economic outcomes (Ward, 2008).

Many scholars emphasize that many family business values contribute to create organizational climate (Dyer, 2003) (Koiranen, 2002) (Zahra, Clayton, & Salvato, 2004) (Aronoff & Ward, 2000). There are some important values that are desirable for family and for the business, such as: integrity, trust, generosity, loyalty (Gatrell, Jenkins, & Tucker, 2001), quality, creativity, communication, consideration, commitment (Newbauer & Lank, 2006), excellence, diligence, simplicity, continuity (Koiranen, 2002), respect, accountability, initiative (Aronoff & Ward, 2000). These values contribute to the fulfillment of the company's goals ordered by their relative importance, such as pleasurable values that produce a satisfaction in the company, useful values who are added for the company's success and noble values who are beneficial for community (Fernandez & Colli, 2013).

Business **integrity** is considered as key value in the last decades and popular topic of a discussion in literature (Verschoor, 2004). Integrity makes the difference between words and actions or it compares what is said and what is done (Garcia-Marza, 2005). It may refer to promises that companies give to stakeholders. In addition, numerous authors argue that integrity should be based in moral, ethics and fairness (Cavanagh, 1998) (Davis P. W., 1997) (Fritzche, 1997) (Garcia-Marza, 2005). **Trust** is fundamental value in the family business and it is different from other values because it is not just a promise or a thought but it is also felt to create a trusting environment and strong trust relationships between the parties. A strong trust in family relationship provides a sense of pride, source of long-term perspective and strong management team (Dyer, 2006). **Generosity** needs to be one of most important qualities in business philosophy. Family-owned businesses are known for their commitment to be generous with their partners, employees, customers and community. The value of generosity is related with altruistic values and in a lot of cases is manifested through philanthropic activities. It is a key that unlock different type of work relationship with profitable background (Amit & Liechtenstein, 2009).

Good **communication** is a key component to an effective business strategy. Mastering the communication skills make company more productive, profitable and satisfying (Rausch, 1999). Formal communication structure is important value for growing family businesses, not just with relevant information but also with encourage to participate. The most effective way is implementing a formal communication process to promote the support, empathy and respect for family members (Daya, 2010). Family businesses who are struggling from inadequate method of communication, should follow some effective tips to overcome this challenge, they are: separating personal life from professional life, take in consideration their values, to be open to see the point of view of the other parties for generating new ideas and experiences, written communication to avoid misunderstandings, meetings should be pre-scheduled and held to resolve and discuss issues, facts and feelings should be practiced separately, keeping the agreements for deadlines and appointments, taking responsibilities for actions (Rausch, 1999). **Creativity** provides the basis for innovation and business growth. Supportive leadership teams encourage open conversations and eliminate fear of failure or judgment creating teams of innovation ambassadors. Family businesses should find unique ways to reward family members for great ideas because they are vital to success and motivation (Schaper & Volery, 2007).

Quality is the connecting centre of all values. They are characterized with positive correlation with each other, which mean that with increase in quality automatically other values will be increased. Reputation, costumer's trust, loyalty, satisfaction are directly dependant on the quality of the company's products or services (Ward, 2008). **Transparency** is important value for family businesses and nonfamily businesses because requires to open all information related with goals, history, performance and success of company. Family businesses who are more transparent earn the costumer's loyalty because in this way they show that they don't have anything wrong to hide. On the other side there is internal transparency in the company with family members through creating open lines of communication to build trust and higher moral in work (Brown, Hillegeist, & Lo, 2004). In this way everyone in the company will feel more satisfied because they are working in a company with higher ethical standards. Family businesses with transparent culture are identified when they communicate the vision and mission statement to give clear and meaningful understanding of financial and business goals, they do not delay dispensing information and they make available important documents (Chen, Chen, & Cheng, 2008). How to create **accountability** values is one of the most challenges questions in family businesses. Family businesses can increase accountability when they will use adequate communication system to prevent future misunderstandings, setting right compensation levels for the performance in the company for family and nonfamily members, create system to review the performance, preparing opportunities for new generations to join in the business based in their skills and qualifications and setting clear and measurable objectives and goals for long-term health and sustainability of the business (Aronoff & Ward, 2011).

1.2 Characteristics of Family Business

The most important feature that makes the difference between family and nonfamily businesses are family members. Family businesses include small, middle and big groups of businesses. However, there are some characteristics as a part of every family business and make them different from nonfamily businesses (Kontinen, 2011).

Shared values as a first characteristic in family businesses usually are viewed in a positive light (Yu, Lumpkin, Brigham, & Sorenson, 2012). They are considered as a strong competitive advantage to stabilize the structure and dynamics. Values are not important just for strategic decision making but they are an effective way of integrating family members, to adopt in changing and to survive in critical situations. Shared values include the set of values like moral, honest, motivating, loving, ambitious and capable. Furthermore, some researches show that implementing shared values system in work environment helps company to avoid conflicts (Carlock & Ward, 2001). To avoid problems associated with values, family business owners should make clear procedures, politics and compensation systems regarding family participation in the business because this companies are committed to conduct honest performance based on objective standards for all employees, should make clear succession plan to find the adequate successor because managing the inherited business is a huge responsibility and family businesses should give family members opportunity to work outside of the company to develop new knowledge and to bring them in the family business when they will return or to participate with outside managers and advisors (Bain, Kashima, & Haslam, 2006).

Shared power is another characteristic who doesn't mean the equality of power in the family business, but it is political agreement oriented to give the power to adequate people who have more knowledge, expertise, ability to deal with problems and to handle the decisions in the specific areas. This characteristic is very important because shows that in a lot of cases family businesses should go beyond survival decision for better results and healthy transition (Carlock & Ward, 2001).

Tradition is bond of family businesses because it is a connecting path from one generation to next generation. Family traditions connect the family members to enforce the unity of the business and family when trying to reach their own goals and business goals. The transition between generations might threat the tradition to change or evaluate because sometimes it becomes desirable to renovate to encourage the new generations (Aronoff & Ward, 2000).

A sense of stewardship is more likely to be demonstrated in family businesses than nonfamily businesses. It is about taking in consideration stakeholders and community toward better results. There are some components that shows how the stewardship can be achieved from family businesses, including purpose of clear vision why the company exists, community awareness which means that family businesses should have a priority to serve healthy life for people around them than profit maximization, long- term orientation decisions to give secure responsibilities to stakeholders, trustworthiness for effective stewardship, responsibility by improving overall economic condition and the last one is care for employees by providing training and career development and good work conditions (Davis, Schoorman, & Donaldson, 1997).

Adaptability in the business environment is reached by learning new skill, practices, procedures and adapting them in the best way (Schendel & Hitt, 2007). It doesn't mean just to be prepared for challenges and critical situations but this characteristic is focused more in finding new opportunities, build capacities, implement new technologies and leverage in new markets. In standard circumstances, a family business have difficulties to change its environment but the best way that they use is making appropriate adjustments and to transform opportunities into competitive edges (Drucker, 1993).

Unconditional support from family members is the most important advantage in family business. Strong support network and communication in advance is considered as a start-up requirement because without it everything will be more challenging (Lansberg, 1983). The bond that family business creates with their relative held up the business and contributes in the way that will never show up on income statement. Family businesses are known as unities that express feelings in powerful way, like trust, honest, support but they on the same way express anger and blame. In this circumstances succession plan can be very helpful to pass this behaviors that can explode and damage the company's success (Davis P. W., 1997).

1.3 Advantages and disadvantages of family businesses

Despite the country, size, culture where they operate, family businesses everyday are challenging with critical situations. These situations point out the advantages and disadvantages of family businesses in general. Family businesses have more significant business advantages over non-family businesses rivals (Leach & Bogod, 1999).

- Family businesses are known as **long-term oriented** companies, this advantage gives good message to employees, community and other stakeholders because as a result they will create strong relationship. Long-term views that they give to strategy is very important activity in this aspect. Large, successful family-influenced survivors pay attention to this factor because it helps companies to reduce risks and to increase family's wealth and business's performance (Collins, et al., 2012).
- **Fast decision making** is another advantage that characterizes family business owners and makes them more agile and flexible than their nonfamily competitors. The decision making process is faster because they share similar values and vision that helps them to exploit gaps in the market (Scarborough & Cornwall, 2013).
- **High commitment** is define advantage in family business because all members in the business work for themselves. They own great independence for strategic actions, operational and functional activities, that is why they work with more pleasure and energy to accomplish a common goal. Long oriented focus of family businesses carries over a long-term commitment to their employees and they can do everything to avoid layoffs in every situation (Longernecker, Moore, Petty, & Palich, 2006)
- They are **less bureaucratic** and their relations are based in trust factor; the communication in family businesses is more informal, this open system of communication enables future generations to be part of the business earlier, to generate new ideas and enable to react rapidly to changes in their environment (Fleming, 2000)
- **Local philanthropy** occupies an important place in family-owned companies; they donate considerable amounts of money in charity organizations and in community organizations to improve company's reputation and to encourage employees to volunteer their time in the local community (Scarborough & Cornwall, 2013).

Family businesses also have their disadvantages which can be a huge obstacle for their continuity and can lead to nasty battles to tear family a part and destroy the business. In the family businesses the biggest threat comes from inside factors rather than from outside factors. There are summarized the potential disadvantages of family firms (Leach & Bogod, 1999).

- **Succession planning** is the main disadvantage for all family businesses because most of them lack a succession plan. Owners of the family businesses must determine objectively the future leader of the company but they may find it difficult to decide who will be in charge of the business in the future (Lee, 2004). This can be the reason why some family businesses have difficulties to survive after the death of the founder (Fleming, 2000)

- **Rigid culture** is very important factor for all family businesses and it should be taken in consideration by the owners. Strong or rigid culture in the family businesses limits the incorporation of outsiders who might have new ideas, practices, experiences that can be useful and important. It affects negatively the company's success and performance because family members work in the positions without adequate qualifications, skills and training. Delaying or ignoring this important decisions could lead the business failure (Carlock & Ward, 2001).
- **Sibling rivalries**; it's very normal that family members in the business can't tell the same performance, someone is more successful than the others. In this situations family members start to blame each other (Fleming, 2000).
- **Unstructured governance** includes the hierarchy's structure of the company which is taken less seriously at the family businesses. Unfortunately, they think that creating the hierarchy structure is unnecessary because of the level of trust inherent at the business (Sirmon & Hitt, 2003).

1.4 Conflicts in family business

Despite their competitive advantages, family businesses have to deal with the variety conflicts. Conflict is phenomena present is every family business and is identified by numerous authors like a process when two parties don't agree for the same decision (Sreih, 2017). This term can be also understand like a obstacle or presentation from the others to achieve goals (Antonioni, 1998) but in general anyone can't find any specific manner or events that turn the calm situation into the conflicts. Conflicts that can't be managed effectively with communicating they can poison the family business. There are two main zones to express the conflict, the covert zone observes the presence of the conflict but not discussed in the public, including rumors and doubt and overt zone shows when the conflict is done and is discussed openly in the public, including arguments and formal negotiation (Bergmann & Volkeman, 1989). Family businesses have three levels of conflicts; they are family, business and external stakeholders. The conflict is easier when the problem is caused just by family, when the family and business are involved in the conflict it can be more difficult to solve but in some circumstances it can be impossible to find the solution when there are added external stakeholders (Jehn, Rispens, & Thatcher, 2010).

Conflicts are seen as a threat for family businesses and their performance. The healthy reaction in family businesses should be to find the causes of the conflicts and to avoid those. Some tips that can be very helpful for every family business are creating formal structure to negotiate conflicts like family meetings and board, giving the opportunity to family members to express their needs and concerns to agree or disagree without judgments, make the business divided from the family as much as possible, investigate small complex issues in the early stage and analyze them with all family members and the last tip is used if the company face major conflicts which can't be solved immediately or it's impossible to solve them, the best way will be to arrange dialogue with experts who can cut the emotions and focus on the issue (Lansberg, 1983). These tips can help the family business to minimize the conflict, by the way to develop new skills during solving them but never can help on avoiding the conflict completely from the company (Jehn, Rispens, & Thatcher, 2010)

The conflicts inside the family owned businesses are caused by family and property (Astrachan, Klein, & Smyrnios, 2002). Conflicts that come from the circle of relatives are considered as one of the major troubles that create tension situations. These conflicts are greater and more serious when in the business take part more family members and when the business is managed by the second or third generation. Conflicts related to family owned businesses can be between the owner and the inheritor and between brother and sister using inheritance problems. The impact of circle of relevant can motivate conflicts in the professional relations including employees who are from family and the others from outside (Lansberg, 1983). Strong personalities are the main source of conflict in family businesses because everyone in the company has their point of view and everyone wants their opinion to be confirmed. The company should use two main mechanisms for the presentation of this kind of conflict, which are open negotiations and governance structure by using rules and regulations. Conflicts associated with family business property come when the capital of the family should be shared in several members of the family equally. Conflicts in this area are considered as more serious because when the capital will be divided from the company it will influence negatively the continuity of the business (Loughry & Amason, 2014).

Stressful situations in the family business are related with a numerous factors. Such as external factors including economic and politic situation, internal factors including productions, procedures, decisions and the last factors are those who are related with individuals within the company like financial issues, personality and family circumstances (Antonioni, 1998). Some of the conflicts that face every family business are succession process in generational changes when any of family members want to sell their part and to leave the business, when in the company family members feel uncomfortable because of inappropriate roles in the company inadequate organizational structure not deserved rewards for family members not separating the family from the business, when in the work atmosphere don't have harmony and friendly behavior (Monreal, Calvo-Flores, Garcia, Merono, Ortiz, & Sabater, 2002). Family businesses affected from this kind of conflicts should try hard to solve them correctly and must manage in the best way to prevent the failure of the business. Some other authors the conflicts of family business classify in two major groups, conflicts from the emotion decisions and conflicts related with communication. In the first category are described all situations and management decisions are decide informally without logic (Aronoff & Ward, 2000). To prevent conflicts that lead this category, family businesses should establish protocols or formal meetings to negotiate every circumstance in detail. The second category is related with wrong way of communication, including avoidance of written communication which helps to clarify everything in the company and honest communications (Churchill & Lewis, 1983).

There are some processes which help to find solutions for different conflicts in family business; they are negotiation, meditation and arbitration. The first process include family protocols, meetings and management boards established in the company to explain the problems and find a common solution, taking in the consideration all proposals from the family members for the beneficial decision (Antonioni, 1998). Sometimes there is some kind of problems and conflicts that are very hard to solve from the interior staff of the company, in this cases is required to collaborate with external parties which help the company for meditation. If those used procedures can't bring the beneficial solution, the last chance used form the company is arbitration for positive incomes (Astrachan & Jeskiewics, 2008b).

1.5 Three-circle model

The three-circle model is a fundamental framework in family business field and was developed by Renato Tagiuri and John Davis at Harvard Business School in 1978. The long-term success of family owned businesses depends from the mutual connection and support of these groups. First of all, this system was two circles model including family and business. This model was easier to understand the confusion between family and business but Tagiuri and Davis several months working together decided to develop another framework to analyze better the interactions and tensions in the family business. The addition of the third circle enabled to highlight more the ownership issue. Linking these three groups they created a three-circle system integrated in the family business (Tagiuri & Davis, 1996).

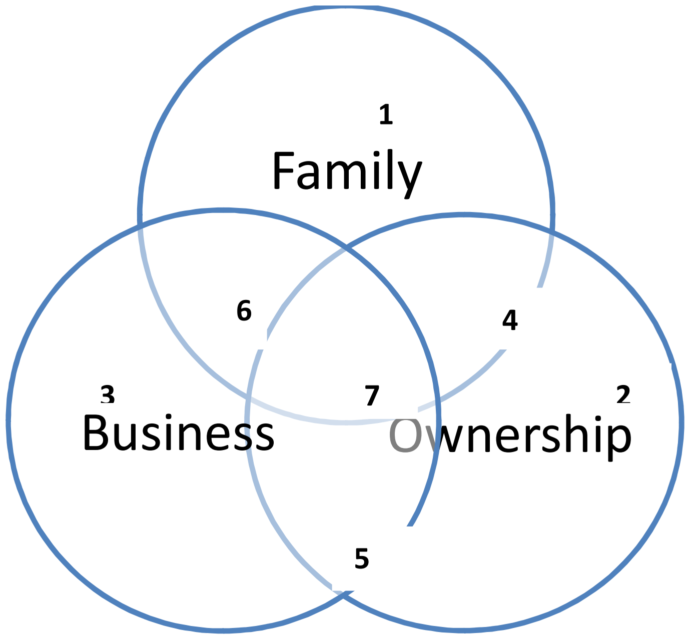

Figure 1. Three-circle model

The three-circle model of the family business system is consisted of three interdependent groups, family, business and ownership. The collaboration of this three circles identifies where are located the key people in the system and what is their role. This model reminds us that every group should be respected and taken in consideration their viewpoint, goals, concerns and dynamics. The different reasons, goals and changes in the family create tension situations which affects the life and well-being of the family and business (Nemesio, 2000). However, the family has the bigger impact in the business than business has in the family, as example can be taken a death of owner who has significant impact on the business. Also the problems and confects can be created by the double roles in the company where the owner does two or three jobs in the company like owner-manager, owner-family member, owner-manager-family member, family businesses should find the right balance between the different roles in order to succeed (Tagiuri & Davis, 1996).

To simplify this process we will explain in detail each group, in the zone 1 are presented family members not involved in the family business, in the zone 2 are presented the non-family business owners, in the zone 3 are presented non-family employees, in the zone 4 are presented family owners but that don't work in the business, in the zone 5 are presented non-family owners working in the business, in the zone 6 are presented family members working in the business but with no ownership and the last one is the zone 7 which presents family members who own the business and work in the business (Elo-Parssinen & Talvitie, 2010). From this system we can understand that the more family members are involved in the business, the more complicated it become because in those circumstances the business is filled with different aspirations and opinions that influence the business performance (Nemesio, 2000). Business owners should create the clear picture of everyone in the company in the adequate zone to help the company to become more effective and profitable (Tagiuri & Davis, 1996).

2. Theories of family business

Family businesses differ from the nonfamily businesses in many dimensions, but as more important are ownership, governance, management and succession (Sharma, 2004). A number of authors have compared the performance of family owned businesses with non family businesses through theoretical approaches. They have used the agency theory, recourse-based theory, stewardship theory and social capital theory to describe the performance of the family business and nonfamily business (Chrisman, Chua, & Steier, 2005).

2.1 Agency theory

Many authors highlight agency theory as a dominant theory in the organizational perspective and apply it in the family business research papers. Agency theory is used from the individuals during decision making for specific situations based on the self interest (Jensen & Meckling, 1976) and this theory is characterized as important theory to understand the behaviors of many actors in the company (Gomez-Mejia, Nunez, & Gutierrez, 2001). With other words this theory can be explained as a theory where the agent take the decisions based personal financial earnings instead of long term decisions that can be beneficial for the company in general (Jensen & Meckling, 1976). Family businesses are known as unities where the same person is the owner and manager of the company, so the majority important duties are realized by the same person. In this case the applying of the agency theory less will be needed (Chua, Chrisman, & Sharma, 1999). Family owned businesses should not avoid this theory because it can offer various beneficial, as understanding of asymmetric information, emphasize of risk situations in the decision making and unstable situations. Information is associated with moral hazard and adverse selection, where the agent follows to fulfill their own goals forgetting the firm's goals and on the other cases the agent denies to tell the truth about their abilities (Jensen & Meckling, 1976).

There are some features that include the agency approach; the first one is the identification of the threat that influences negatively the relationship between the principal and the agent. The second feature is the situation that affects negatively the agent and principal. The third one is the individual manners while taking decisions by the agent. Fourth feature is the conflict created between principal and agent which lead to unaccomplished the goals of the company. Fifth feature is purchased information. Sixth moral hazard problems and adverse selection problems and the last feature are the risk performance created through asymmetric information which affects the performance of the company (Eseinhardt, 1989). According to agency theory, family businesses have more advantages compared with nonfamily businesses because in the family businesses the firms authority controlled by the family, the presence of shared goals and the independence from the feature of accountability (Carney, 2005).

The implementation of the agency theory in the family businesses has increased the decision making methods, altruistic characteristic of the agent and the critical thinking (Mustacallio, Autio, & Zahra, 2002). This theory can be separated in three main groups. The first one is principal-agent group which is focused more in economic actors, pure economic thinking and informational conflicts (Jensen & Meckling, 1976). In this group are found agency costs from monitoring agents, aligning the agent's interest and from non-efficient practices in the company. The second group is principal-principal and describes ownership problems and the rise of the agency costs from the involvement of stakeholders which bring emotional related attitudes (Morck & Yeung, 2003) and the last one is behavioral agency model which highlight the risk situations where the agency costs comes from wrong oriented goals (Wisman & Gomez-Mejis, 1998). All three groups are very important for family businesses and are valued in very high positions by general management (Chrisman, Chua, & Litz, 2004).

Variables that support to measure and reduce the agency cost; they are the stimulations from the managers, the preparation of the strategic plan, and the entrenchment of the board and the existence of the transfer intentions (Chrisman, Chua, & Steier, 2005). There are done some researches from the authors whether agency costs are higher in family owned businesses or in the nonfamily businesses (Chrisman, Chua, & Litz, 2004). Their findings emphasize that the control mechanisms are more involved in the nonfamily businesses, agency threats are less present in the family firms and noneconomic goals are more relevant for family firms then financial goals (Lee & Rogoff, 1996).

2.2 Resource-based theory

Resource-based theory explore the long-term differences of the family business performance, this theory do not include the economic conditions in the investigations. RBT investigate the valuable resources which are very important for the best performance and competitive advantage, explaining the linkage between company's features and its performance (Habbershon & Williams, 1999). This theory recognizes some type of resources: financial, physical, human, reputation, technological, and organizational resources (Schaper & Volery, 2007).

Authors have explained four types of family businesses that use the RBT, including the following: clan family firms, professional, mom and pop, and self interested family firms. Type of the family firms, clan are those firms which are small from the size and are managed by the first generation who are very thirsty to achieve the success with shared values, the professional family firms are those companies who are managed by the professional managers who have more knowledge and skills for the specific areas, also in this type of family business the phenomena of nepotism is less involved in the company, mom and pop family firms are managed by number of generations and the control of the activities is realized through family ties and is encouraged the nepotism, the last one self interested are those companies who are managed by the several generations but there the main problem is the existence of the conflict based on the self interested behavior (Habbershon & Williams, 1999).

Firm resources must have some characteristics to generate the competitive advantage. These characteristics of the resources have created the VRIN concept. The first characteristic is the resources must be valuable to achieve the efficiency and effectiveness of the company, the resources must be unique for each family business and to be uniform, the next characteristic of the recourses is the inimitable character which means that they should be difficult to copy from the others and the last one is non-substitutability. There are developed some propositions to compare family versus nonfamily businesses, they are citer paribus assumption perform the change of some factors while the one of them held constant and one position stand means when the clan family firms are the best companies and have the best performances compared with the others (Dyer, 2006).

RBT is widely used by the number of authors in different fields like, human capital of the company have a direct effect on the firms performance, knowledge- based and property-based resources have significant influence in the financial performance of the company (Miller & Shemsie, 1996) and the other definition for this concept include the commitment of the family and business to create unique and inimitable resources in the family business. Firm's resources are divided in four groups: Physical resources (cash, raw materials, and Intellectual property), human resources (knowledge, training, and skills), organizational resources (rules, procedures, technology, and control), and process resources (skills, disposition, and communication (Habbershon, Williams, & MacMillan, 2003).

2.3 Social capital theory

Capital theory mentions the norms and reciprocal trust and respect created in the family business and it is increased by coordinating mentioned actions. It define the importance of shared values in the family owned businesses and the behaviors between family members. Social capital include three important dimensions to embed the relations in family and with external stakeholders as suppliers, customers, creditors and distributors, such as: structural, relational and cognitive, the first dimension defines the reason and pattern of linkage of people in the company, the second one describes the norms, rules, values, trust and beliefs in the company and the language and other forms of interpretations take part in the cognitive dimension (LaChapelle & Barnes, 1998).

Researchers have done the difference between the family's social capital or private capital and firm's social capital or professional capital (Arregle, Hitt, Sirmon, & Very, 2007) (Adler & Kwon, 2002). The social capital in the family is social relationships based on loyalty, trust and helping each other in every aspect. On the other side the firm's social capital describes the resources that give the meaning to social relationship. The can be very different in the meaning but there exist the connection between two forms to increase the productivity and the firm's outcomes. This theory can be defined in the context of creativity and innovation, where the social capital of the company should be unique to be identified as a competitive advantage (Adler & Kwon, 2002).

There are four factors that influence the collaboration between the private and professional social capital, they are: the stability of the environment, the interactions between family members based in shared values, the independence of family members and the accessibility which created by social rules (Arregle, Hitt, Sirmon, & Very, 2007). These factors enable the harmony in the workplace, the fast adaptability to changes, the improvement of shared language, practices, skills and experiences between different family members. Stability is an important factor for the company which is created during the work process where the members feel that they belong to the same team for the common gold to be achieved. This factor avoids the members who act against the firm's interest (Eseinhardt, 1989). It forces the trust, norms and optimistic behaviors and proves highly effective performance in the company (Steier, 2001).

2.4 Stewardship theory

Stewardship theory displays the relations between members in the family business when they share the same interest and roles (Donaldson & Davis, 1991). It supports more the organizational goals rather the individual goals through cooperative behavior and it is fostered by the quality of the relations and the ideals of the company (Davis, Schoorman, & Donaldson, 1997). Some authors have noted two main mechanisms which help the stewardship theory to be available in the practice, they are: mechanisms for increasing the confidence, trust, skills, critical thinking and mechanisms to ensure that the confidence is big and important to not succumb to optimistic temptations (Segal & Lehrer, 2012).

Stewardship theory has two dimensions: Psychological or individual and situational or organizational level (Sirmon & Hitt, 2003). The fist dimension describes the members in the company that are motivated from their personal knowledge and experiences and not from the position in the company (Chrisman, Kellermanns, Chan, & Liano, 2010). Psychological factors have positive impact on the firm performance (Davis, Schoorman, & Donaldson, 1997). The second dimension defines the culture of the company where the involvement of the team work is more powerful and more productive for the company. Stewardship dimensions are useful when the company find the adequate employees to achieve the same goals (Berrone, Cruz, & Gomez-Mejia, 2012).

Theory suggests that the maximum profit is achieved when two parties mentioned above try to behave as stewards (Davis, Schoorman, & Donaldson, 1997). When these two parties choose to behave like stewards than they will try to do their best toward the same goals and mission, this theory is based on the humanistic model (Donaldson & Davis, 1991) which explains that everyone in the company is motivated when they fulfill their needs and their performance is higher by the time. The owner of the family firm needs to create an organizational structure where the stewardship behavior can flourish and more involved (Zahra, Clayton, & Salvato, 2004). This theory supports more the collectivistic and cooperative activities because they result in positive benefits for the company (Davis, Schoorman, & Donaldson, 1997).

3. Management succession

Currently there are numerous researchers in the field of the family business mention succession as one of the most important issues in the family business. It is not enough just to select the successor to transfer the ownership and power (Sharma, 2004) (Handler, 1990) (Klein, Astrachan, & Smyrenios, 2005)There is required ability to manage the business, training, experience, knowledge, talent and specific qualifications to make the best decision which will not affect negatively the company in the future (Sharma, 2004). For a smooth transition from one generation to another, family businesses should prepare a succession plan. Without the succession plan, family businesses face the risk of failure in the next generation. This may be the certain reason why in a lot of family businesses the second generation has difficulties to manage the business (Sharma, 2004). Those businesses who are more successful and don't what to risk the longevity of the business are the ones whose the owners prepare succession plan well and earlier (Handler & Kram, 1988).

Succession process has three phases, pre succession, succession and post succession. Pre succession is the phase when the company prepare the succession plan and train the new generation to take the power in the future, succession is the second phase when the changing start to happen and in the last phase the decisions are taken and everything have changed. From the first phase due to the third one are created different kind of emotions but every time the continuity of the company in the smooth way should be the primer goal (Poza, 2010). The emotions or issues that drive from the succession planning are conservative, rebellious and wavering. The first succession problem, conservative problems drive from the traditional oriented management of the company by the successor or in the same way that the previous leaders have done, without any innovation. The second problem, rebellious is the opposite of the first barrier and means when the succession change totally the tradition of the company but not in the positive way and the last problem is wavering which is the combination of the two problems mentioned below, so it means when the succession wants to serve new things in the company but on the other side the fear of destroying the traditional of the company is so big (Sharma, 2004).

These problems can be solved if the direct and indirect factors are managed successfully. These factors consists the positive relationship, the willingness of the successor to be prepared and the right way of communication. The coordination of these factors drives to effectiveness and efficiency of the succession in the family business (Lansberg, 1988b). Succession means the change in three spheres, changes in family, business and ownership including three key actors, founder, successor and environment. Succession is a system in transition which creates tensions, stress, insecurity and anxiety to select the potential owner to hold the shares of the firm. In the most of cases business owners postpone this process of transition and in this way they force this process making more problematic. The successor must have knowledge of business internally and externally, his or her knowledge and skills depends from the level of education and experiences in the business (Westhead, 2003)

Based in other researches the succession process passes through other phases. The first one is the phase when the incumbent create alone the company and the power and authority is in his hands. The owner makes the contribution based in his own dreams and ideas and is considered as a difficult phase to be managed. The second phase include the owner of the business and their children, in this cases children are higher educated than their parents and their contribution in the company can be very revolutionary with new ideas and creativity. This phase in surface it may seem as the best position of the business but in the practice is not the same because the owners of the business feel difficulties and resist sharing the power. The third phase defined the enlargement of the family tree, including cousins. In this cases the company can be managed successfully if all of family members diverse their interest, skills, knowledge, practices, needs and personalities equally (Ward, 2008).

Succession planning include the transfer of the capital, power, assets and the authority from the incumbent to successor or from one generation to next in the family owned businesses (Aronoff & Ward, 2011). This process is not essential just for the business but it also is important for the economic environment (Ward, 2008). Accordingly, to succeed in this process the company should find the balance between the personal aspirations and family goals in general (Goldbelg, 1996). Timing is also an important factor for successful succession because it determines the right moment when the successor is ready to be involved in the company. The post succession process is ineffective when the incumbent does not allow the new generation the opportunity to gain skills and experience in their company, as a result, the relationship and the communication about the business breaks down. On the other side when the new generations have positive image for the company, the innovation in the company will be considered as an opportunity and not as an obligation (Ward & Aronoff, 1992a).

Incumbent should be very careful in every stage that company passes through because they are the secret of successful of succession process. The first stage is the early involvement of the new generation in the family business doing the random duties. In this way they learn better the value and responsibilities of running the business. The second stage defines the involvement of new generation in variety job functions to gain knowledge and experience for everything not just in one standard job. The third stage is when the successor has finished the education and is ready to start full time job in the company or outside of the company for short period of time to gain more experiences. The fourth stage is when the successor takes great responsibilities, like making decisions to grow faster (Goldbelg, 1996). The skills and knowledge that a successor should have in this stage are (Scarborough & Cornwall, 2013):

- Financial abilities; to understand the financial aspects of a business and to be able to take decisions in this area.
- Technical knowledge; the capabilities to perform specialized tasks to communicate effectively with line workers and coordinate efforts.
- Negotiating abilities; being able establish priorities and authority while negotiating with customers, understand the client needs, make sure that is negotiating with decision maker, find the best alternative to a negotiated agreement, prepare a proposal, create a procedures to ensure that the negotiation is running smoothly, maintain emotional control, build trust and close the deal.
- Leadership qualities; being able to manage changes effectively, building influence based on trust to achieve common goals, build teams and focus them on a common purposes using unique skills, strategic thinking, understand the value of open communication and partnership development.
- Communication skills; to be able to communicate the tasks to the others in a collaborative way, to be active listener and to show respect for individual opinions, insights and work ethics.
- Juggling skills; being able to manage multiple projects in the same time effectively and control them simultaneously.
- Integrity; being able to demonstrate in the company honestly and integrity while dealing with different tasks.
- Commitment to the business; it can be very helpful for the successor the presence in the company because despite the knowledge and skills that he gains in the company he will be more passionate for the business and more willing to grow it rapidly.

3.1 Developing succession plan

For a successful transition of the business from one generation to the next generation is required successor plan. It is better to develop the succession plan earlier by the family business owners before the retirement or working with consultants whom will provide important proposals for better decisions. The development of successful management successor plan involves the following steps (Scarborough & Cornwall, 2013):

1. Choose the successor. The first step can be very easy for the family businesses that have one child but it can be more problematic when there are more children. Many times the family business owners are afraid and hesitate to name the successor because they don't want to hurt other family members and to create the tension situations. However, the founder should establish the standards of knowledge, education, experience, performance and skills to make easier the part of selection.
2. Create a survival package for the successor plan. This package includes all important information that the successor should know related with the company, they are the vision and mission of the company, opportunities and challenges that the company face, the industry's key factors for profitable performance, strategies that create the competitive advantage, strengths and weaknesses of the company and tell the ethical principles.
3. Groom the successor. This step may require the long period of time, approximately 5 to 10 years. In this stage the founder should be able to build successor confidence, must be patient during the revolution until the final transfer of the authority and power, should find the effective way to communicate, should be the tolerant listener and should be able to learn to delegate some of his tasks or other mini jobs.
4. Create harmonic atmosphere based on trust. If the incumbent can create the clear environment with trust and respect, without conflicts and tensions, this can be the best gift that is prepared for the succession. In this situation the power and authority can be transferred in smoothly way.
5. Allow the successor to be fully engaged in the company. This transition from one generation to next one makes the company to do many changes even thought the successor is educated from the founder of the company. The new generation has their new ideal in their point of views and then the changes come naturally.

3.2 Succession problems

Family owned businesses who have not defined carefully the right exit strategy; they challenge serious issues which affect negatively the long-term success of the company. Succession plan can be impracticable if the company faces variety problems, including the following. An emotional and psychological problem of the founder to transfer the business to the new generations is the first problem in family owned. In this context the founder hesitate to do this process because he have fear of to lose the central role in the business and he do not has full trust to next generation to do all duties as he did. When the founder under valuate the abilities of relatives, he bring greater consequences in the company, like to falter (Dyer, 2006).

The role of gender is an important issue in family business transfer, especially the man is considered as a potential successor in family firms and so in these cases more common are father-son relationships. The involvement of women in family business succession is limited and in majority of cases it is not considered as a possible opinion to fill the generation gap ((Ip & Jacobs, 2006). Sons and daughters have different socialization experiences and different point of views, so both of them can contribute for the family business in different aspects which will influence positively the performance of the business. The gender should not be considered as an issue but in the eye of the founder it should be a competitive advantage and an optional choice for better results There are some stereotypical assumptions about involvement of daughters in family business, father expect a son to take over the business and just a son to be a successor of family business and on the other hand the daughter to pursue a career in administration or in other public jobs (Dumes, 1992).

Sense of self defines the situation when each family member wants to share the family assets and might like to run another business alone. The family inherence is divided with an equal share to family members. The problem is that the family own different assets that are valued in different ways and their value can change over time. However, this is not the best way of doing the business because in those situations in one family are created more businesses that face more difficulties to grow their business, considering the less amount of capital in company which slows down the development process (Ip & Jacobs, 2006).

4. Inheritance systems

The term inheritance also is known as succession, it defines the transmission process of different type of wealth like property, obligations, title, rights from parents to offspring. If we compare inheritance systems and rules between more societies and religions, they are different and have evaluated over the time. In the modern society this process is supported and controlled by the law and is named as law of succession which helps to reduce inequalities in the wealth distribution but mostly it is highly dependent from the social norms (Palph, 2004). There are different systems of inheritance, the first one is patriarchal systems where the son is the only successor of the family wealth, the second system is matrilineal where the wealth is distributed only daughter but this system is used rarely and the last one is the system used in the modern societies where dominated the rules of equity between son and daughter and in this situation gender is not the problem in inheritance process. The family wealth distribution from parents to next generation provides calm and independent future life that will help for new startups (Lansberg, 1999).

The family property is shared between siblings based on different traditions and rules. Daughters are considered as a victim of this tradition and culture because they are excluded from their legal rights to inherit a property from their parents. Traditional gender stereotypes between son and daughter are clearly present in the unequal process of inheritance of family business. This phenomenon is an old tradition but it continues till today in many families (Robert, Daphen, Paul, & Celina, 2011). In Islamic religion sons inherit twice more than daughter, it is divided in this way because daughters have their other half from their husband (Mortiz, 2012). The amount of property given to daughter is less that the value of the business that inherits the son. Primogeniture systems have some roles for the family member's position in the family business. According to it, the eldest son inherits the leader position in the business and the daughter can be present in the company but to do only lower level tasks and not in managerial positions (Curimbaba, 2002). There are some owners who are more likely to sell the business than to leave it in the hands of the daughter to lead. The reason why father don't consider his daughter as a future successor is that he thought her daughter have not the needed capacity and experience to run the business to eliminate these practices have started with involvement of the daughters in the business where they invest their knowledge, skills, external experiences that will help to rise the baby boomer generation. Boom generation includes those women who get around the obstacles and are motivated to join the family business (Lansberg, 1999).

Inheritance of land is one part of family wealth. It can be inherited in different ways based on society's traditions norms but in general this part of wealth doesn't have clear rules. Land is given to all children but in many cases daughters receive less or they are excluded to inherit the land, so in majority cases it is transmitted to the male line. In this way land inheritance has become sons right and daughter are restricted from demanding the part that belongs to them because they inherits husband's land. Inheritance pattern of land changes depending on the society tradition, where the land can be inherited by the youngest son, eldest son or it can be equally shared to sons (Kaser, 2008). In cases when father don't have son he should inherit their property to the nearest male relative and not to their daughters (Kanabahita, 2006).

THIRD CHAPTER: METODOLOGY

In this chapter we will describe the methodology that was used in this master research. The main point that we would like to focus on are research methods which will help to achieve a conclusion, type of the data and the method of data selection, analyzing and interoperation of data and population.

Research Methodology and Data Collection

This master research is descriptive research which is based on primary source data collection. The method which is used is deduction method, we have built hypothesis and we have done the observation in order to achieve the confirmation. The primary source was collected by using questionnaire on Google surveys forms which was developed specially for this purpose. The questionnaire was built based on our master thesis requirement. The direct link to Google survey questionnaire is the following: https://docs.google.com/forms/d/1bJ4D1nwECGfeCscAC79pv7Bq_TTTP0L5jE3yD1C1FuE/edit

Main Parts of Questionnaire

The questionnaire was developed through 3 sections. The first section includes the questions for personal information such as: age, gender, education level and ethnicity. The second section includes questions for the company, where respondents give information about the industry where their company operates, annual turnover, their position in the company, their experience, the number of employees and the generation which leads the company. The third part of questionnaire includes questions regarding to our concept and the respondents give their opinion about this concept of family business division and its effect in financial and non-financial performance.

Population and Sample Size

Primary source of data was collected with distribution of electronic questionnaire through Google survey and with traditional paper questionnaires to private companies in Republic of Macedonia. The questionnaires were prepared in two languages, in English and Albanian to appropriate for all respondents. The electronically method was very useful and very beneficial for our research because the data was collected automatically and then generated to excel spreadsheet. The traditional method was more difficult for us because we have visited the companies in their location to take their responds. We have tried to find the right locations where are located more companies like Old Bazaar and Plastic Street in Skopje and in the end to rewrite them in the Google survey form. We have sent approximately to 100 companies and we have received 60 respondents.

Pilot Questionnaire Distribution

Pilot test was very valuable component to our survey research. We have made this pilot test to some of my family business owners and we have taken in consideration their opinions for one plus remake of our questionnaire. This action helped us to correct some questions which wasn’t understood the point of the question, we have eliminated some questions because they made our questionnaire too long and little bit problematic to be accepted from majority of respondents and we interpreted correctly some other questions.

FOURTH CHAPTER: RESEARCH RESULTS AND DATA ANALYSIS

Research Results of Questionnaire

In this chapter we have represented our own results gained from the questionnaire distributed to 60 family businesses in Macedonia.

Section 1 results of the questionnaire (Personal Information)

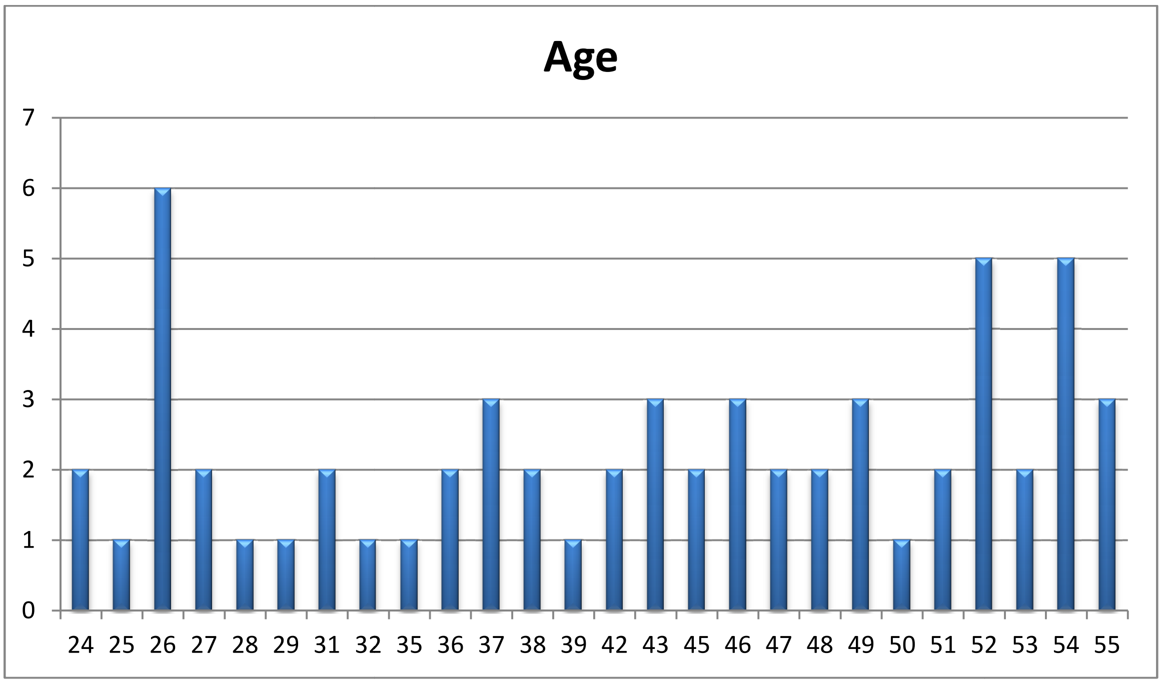

Figure 2. Age

From 60 companies, respondents were from different ages starting from 24 years to 55 years. In the graph above we have ages and the percentages, where horizontally is shown age and vertically is shown number of respondents. Results are shown clearly in the graph above.

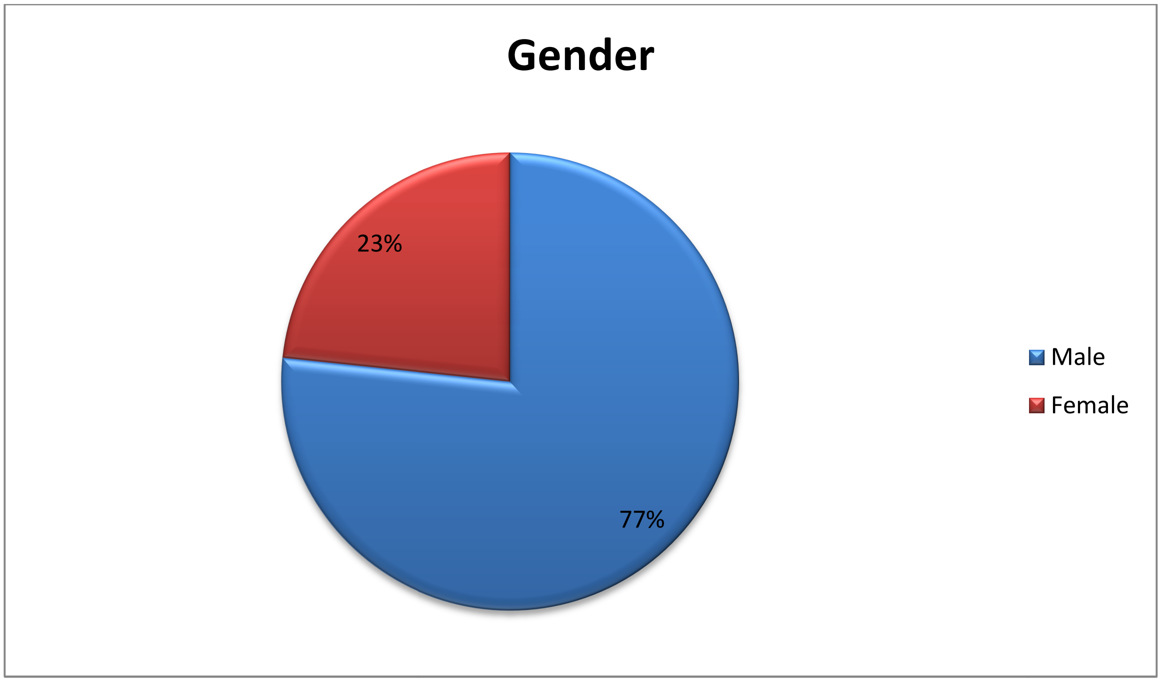

Figure 3. Gender

From 60 respondents, we have 46 males and 14 females, divided in percentage 76.7% male and 23.3% female.

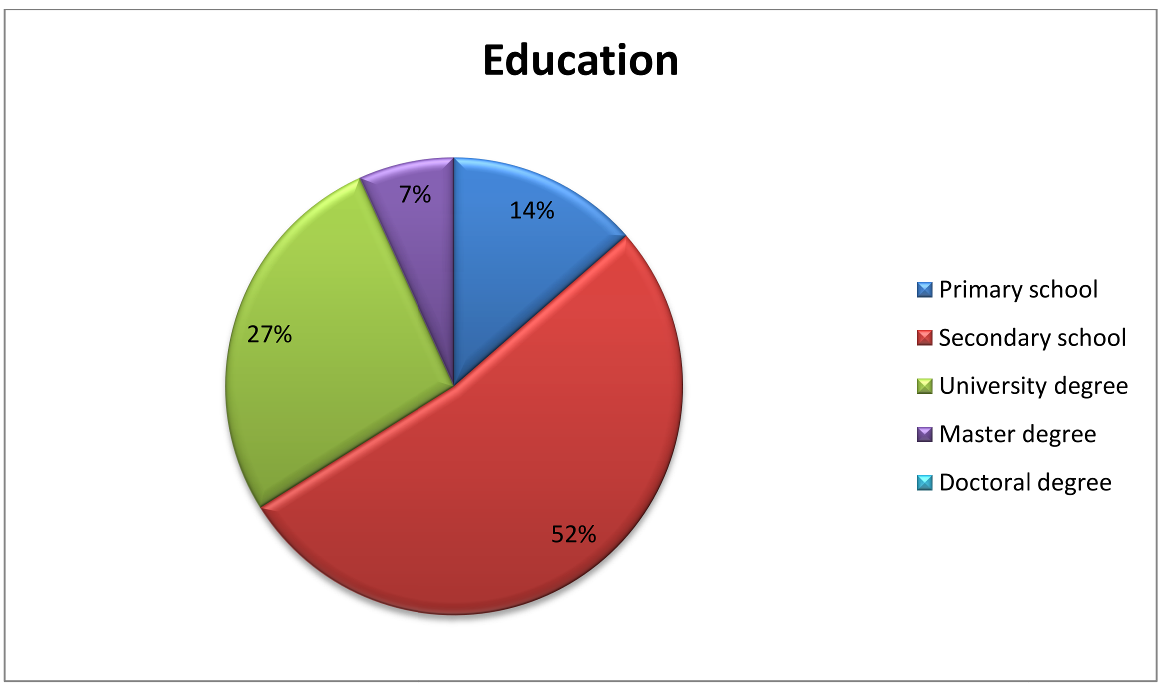

Figure 4. Education

From 60 respondents, 31 respondents or 51.7% are with secondary school, 16 respondents or 26.7% are with university degree, 8 respondents or 13.3% are with primary school, 4 respondents or 6.7% are with master degree and 1 respondent or 1.7% is with doctoral degree.

Section 2 results of the Questionnaire (Company Background)

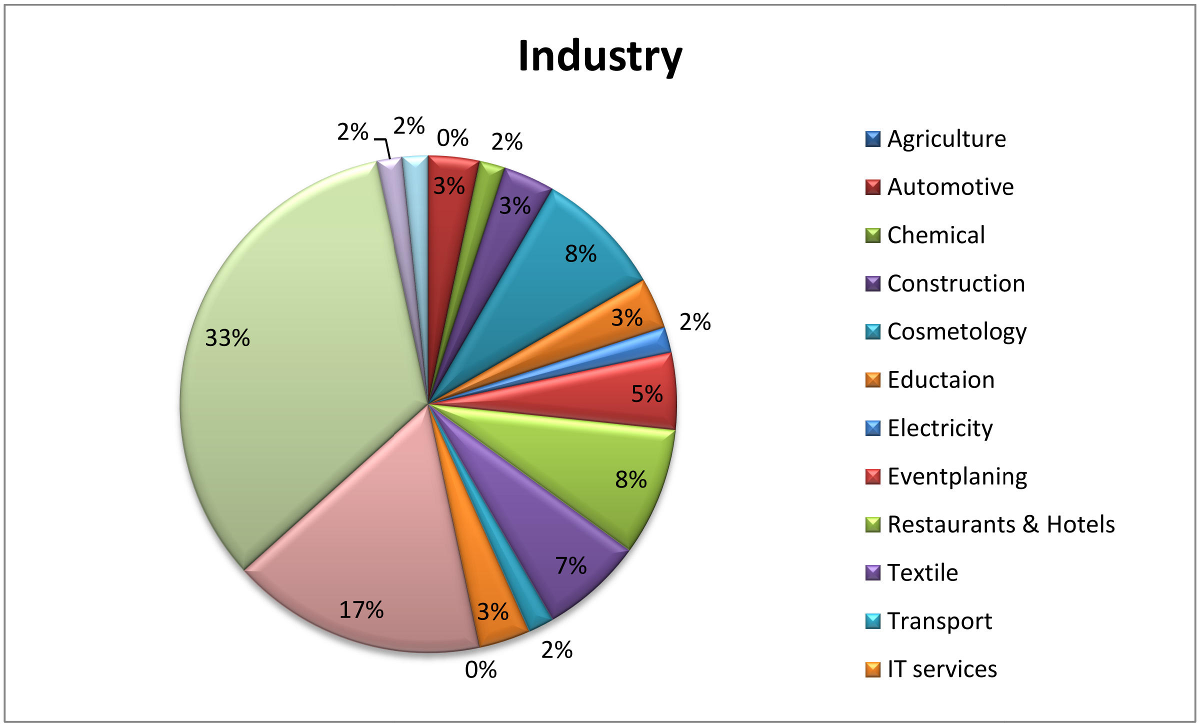

Figure 5. Industry

From 60 respondents, 20 companies or 33.3% are from wholesale and retail trade, 10 companies or 16.7% are in manufacturing industry, 5 companies or 8.3% are from hospitality industry including restaurants and hotels, 5 companies or 8.3% are from cosmetology industry, 4 companies or 6.7% are from textile industry, 3 companies or 8.3% are from event planning, 2 companies or 3.3% are from IT services, 2 companies or 3.3% are from construction, 2 companies or 3.3% are from automotive industry, 2 companies or 3.3% are from education, 1 company or 1.7% is from financial services, 1 company or 1.7% is from chemical industry, 1 company or 1.7% petroleum industry, 1 company or 1.7% is from transport and 1 company or 1.7% electricity.

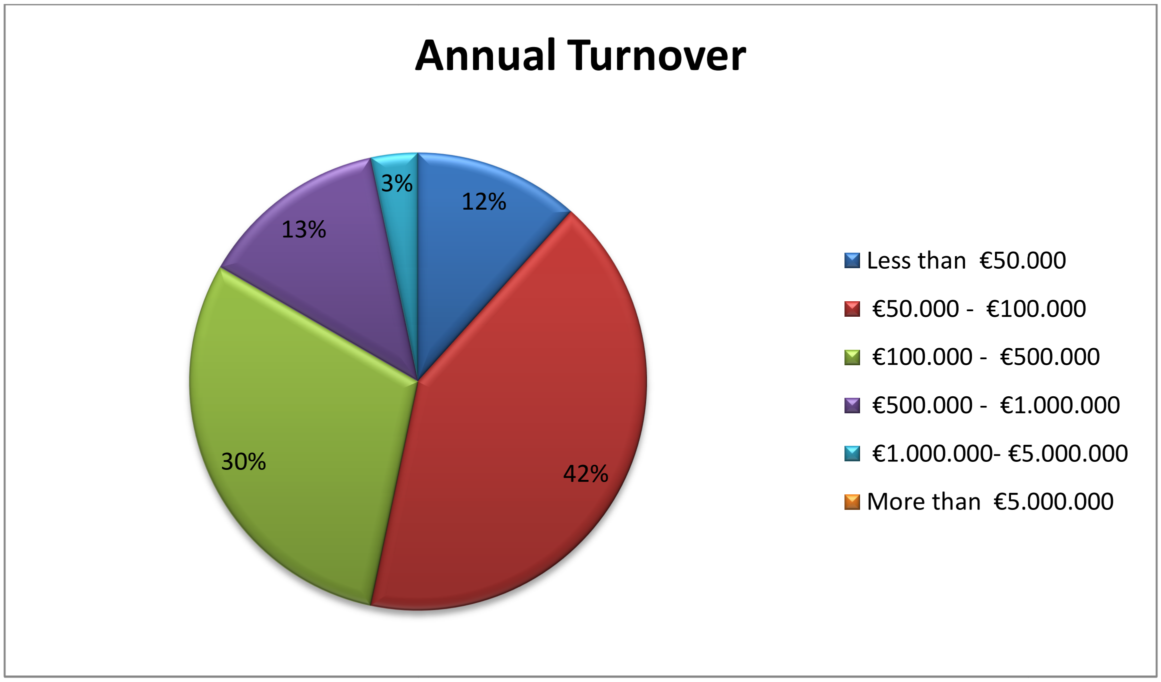

Figure 6. Annual Turnover

From 60 family businesses, 25 companies or 42% of them have €50.000 - €100.000 annual turnover, 18 companies or 30% of them have €100.000 - €500.000 annual turnover, 8 companies or 13% have €500.000 - €1.000.000 annual turnover, 11 companies or 12% of them have less than €50.000 annual turnover and 2 companies or 3% of them have €1.000.000 - €5.000.000 annual turnover.

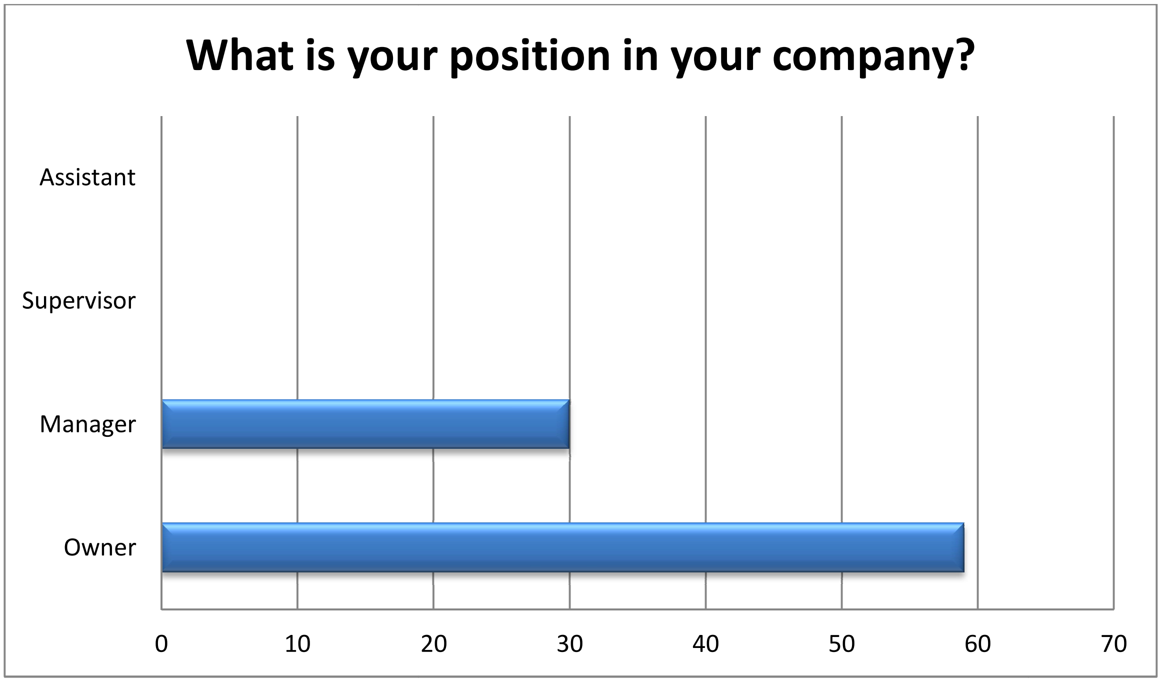

Figure 7. Position in the Company

In this question respondents have the opportunity to choose two options because in family businesses one person can have more than one position. So as a result we have 59 respondents or 98.3% of them in the position of owner, 30 respondents or 50% of them are in the position of manages.

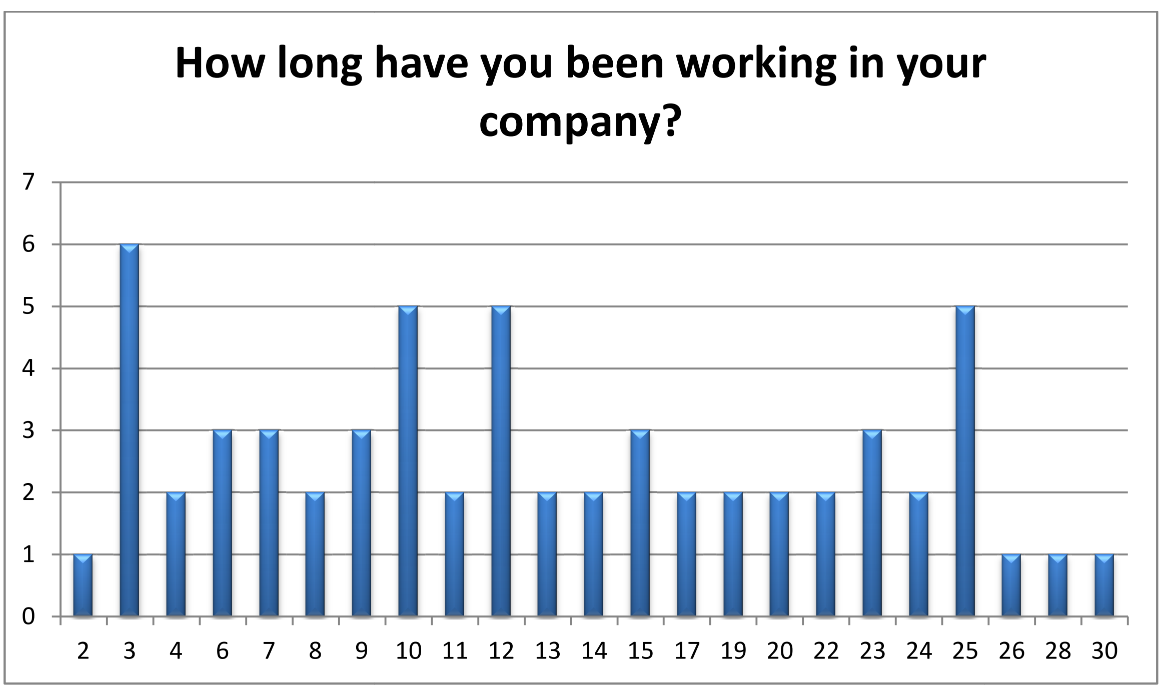

Figure 85. Experience

In this graph, horizontally are shown number of years or experience in the company and vertically are number of respondents. We experiences starting from 2 years till 30 years. Results are shown clearly in the graph above.

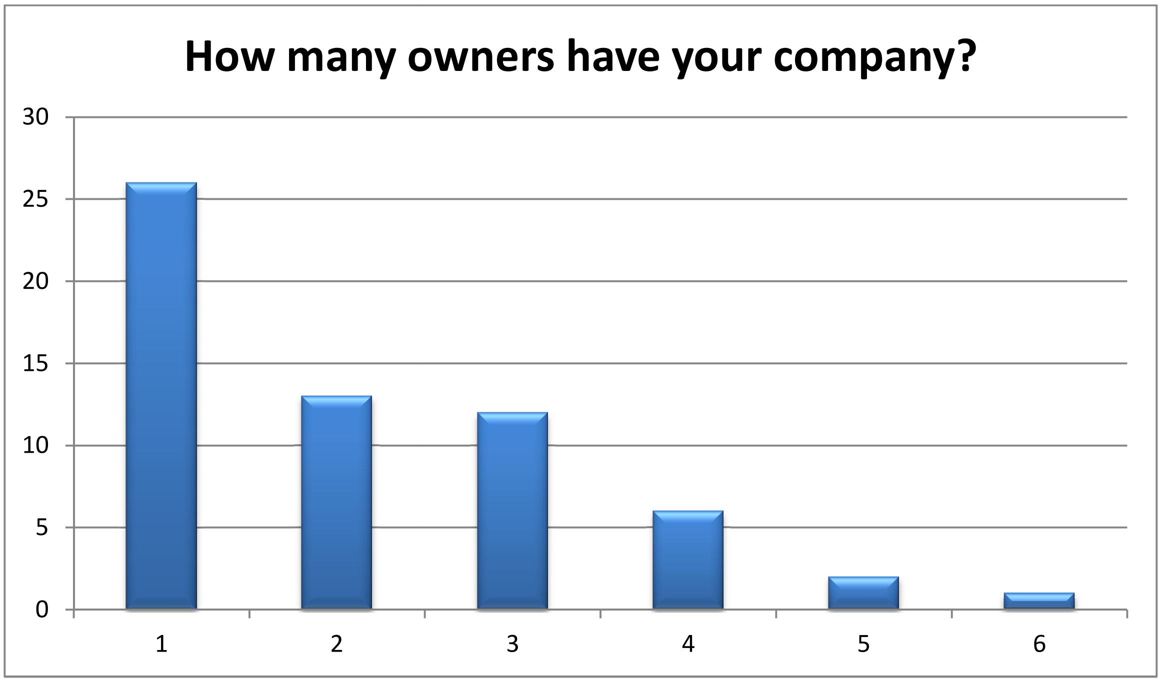

Figure9. Number of Owners

In this graph, horizontally are shown numbers of owners in family businesses and vertically are number of companies. Results are shown clearly in the graph above.

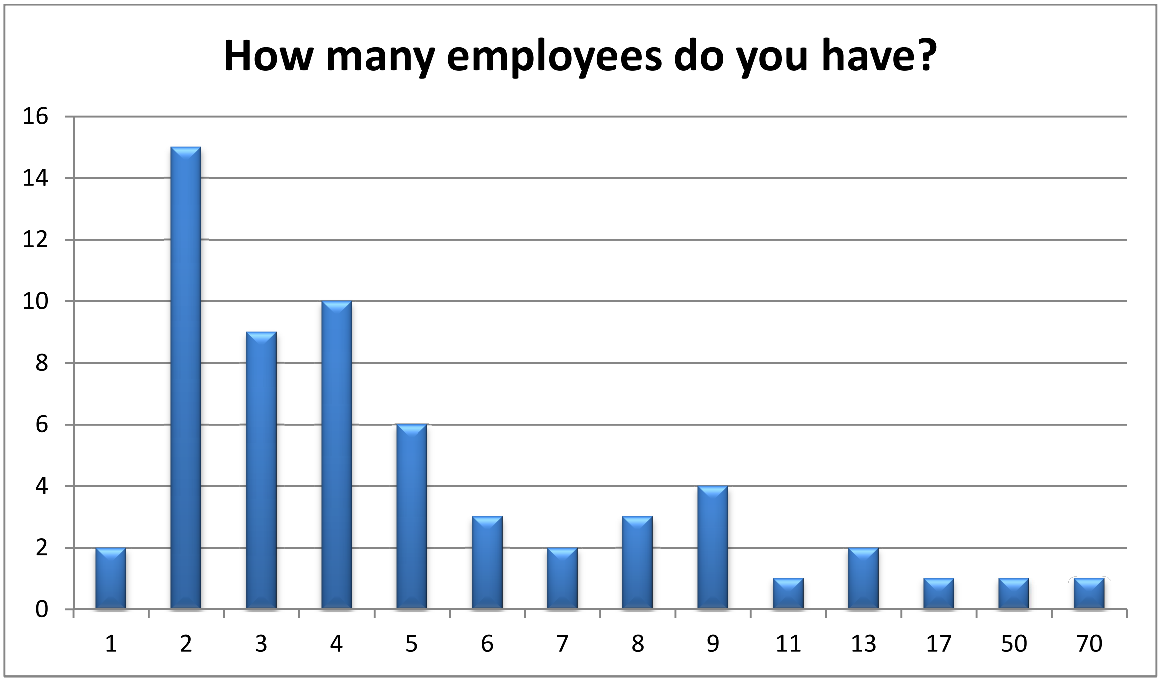

Figure10. Number of the Employees

In this graph, vertically are shown number of employees and horizontally are number of companies. Results are shown clearly in the graph above.

Section 3 results of the Questionnaire (Financial and Non-Financial Performance Measurements)

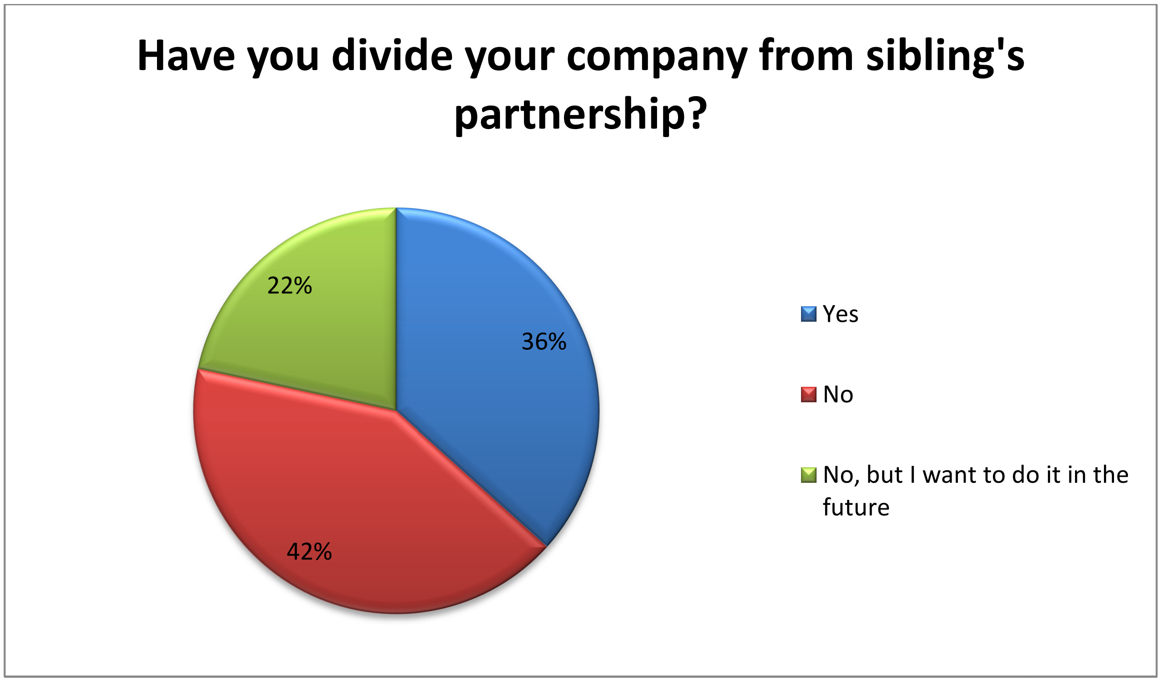

Figure 6. Divided Family Businesses from Siblings Partnership

This question is asked to respondents to understand if they work with their siblings or not. They have had three options to choose, if they are divided from their siblings partnership and now they manage their own company by themselves they are answered with yes, if they work with their siblings and don't want to divide their sibling's partnership than they are answered with no and if they actually are working with their siblings but in the future have plans to divide their business than they have choose last option. In our question, 25 companies or 41.7% are answered with no, 22 companies or 36.7% are answered with yes and 13 companies or 21.7% have chosen the last option.

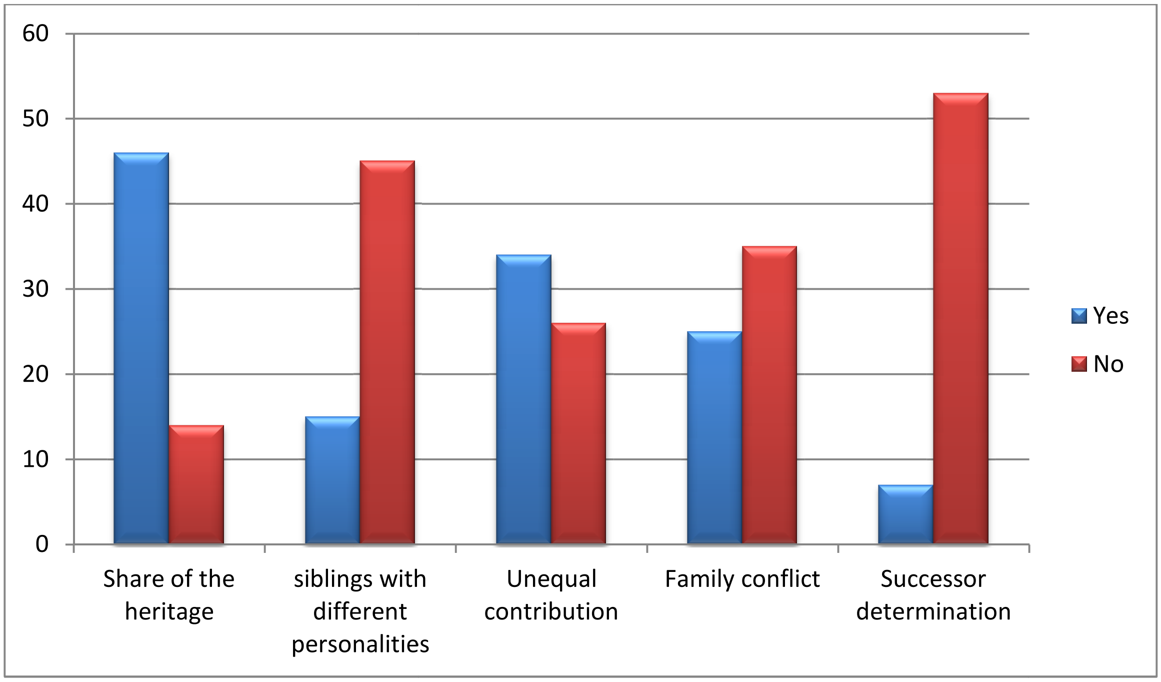

Figure 72. Reasons of Family Business Division

This question is asked to know the reasons why family businesses go through division. We have 5 possible reasons why family businesses are divided and don't prefer the sibling's partnership as share of heritage, siblings with different personalities, unequal contribution, family conflicts and successor determination. Family businesses have two options to answer, if the reason affects family business division they are answered with yes and if the reason doesn't affect family business division they are answered with no.

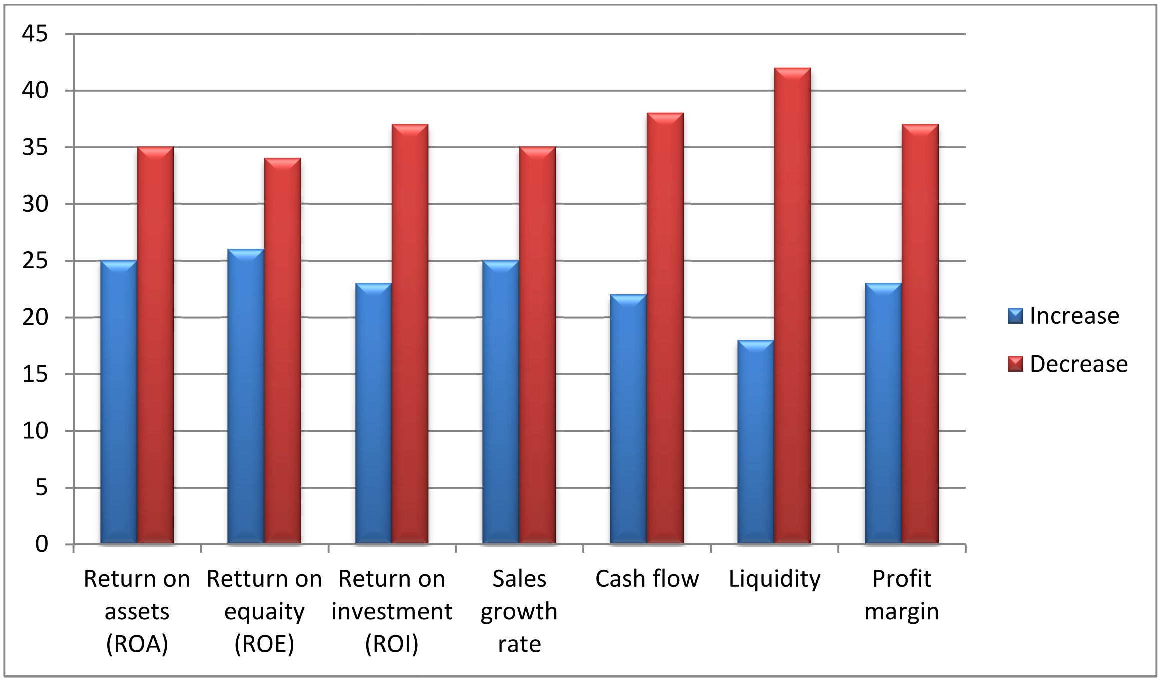

Figure 83. Financial Performance Measurements

This question is asked to respondents to evaluate if financial measures mentioned above are increased or decreased after the division of their business from sibling's partnership. In the question we have seven financial measurements as following, return on assets, return on equity, and return on investments, sales growth rate, cash flow, liquidity and profit margin. If those measurements are increased after family business division that respondents are answered with increase and if are decreased they are answered with decrease. Results clearly are shown in the graph above.

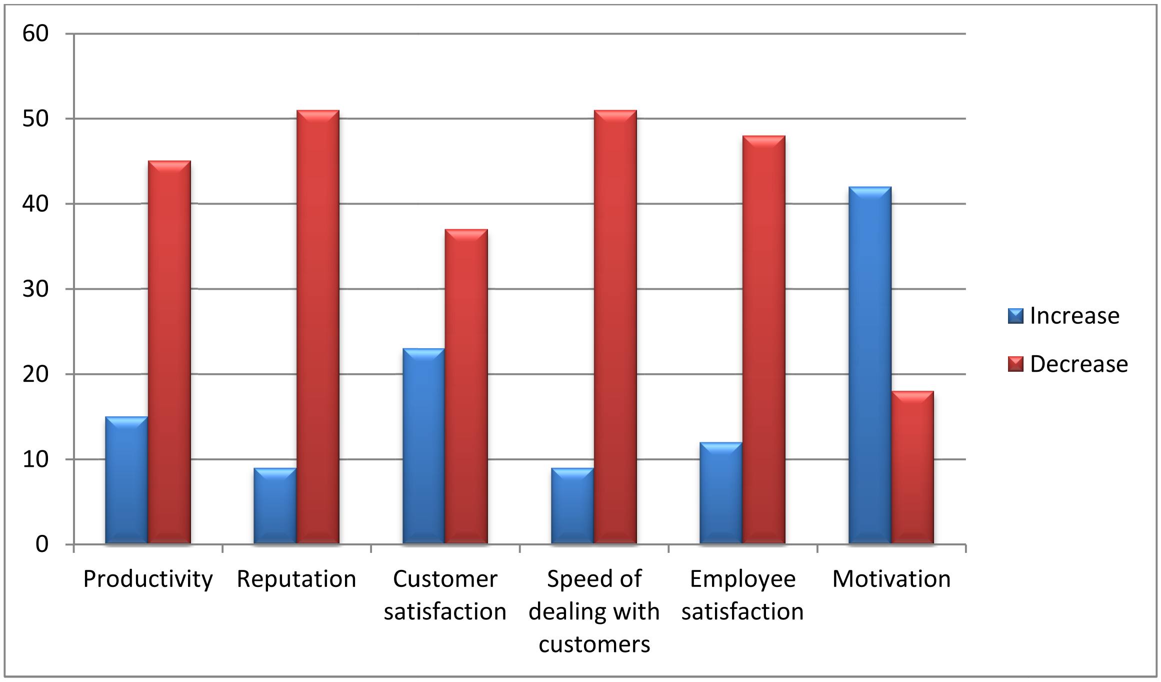

Figure 94. Non-financial Performance Measurements

This question is asked to respondents to evaluate if general non-financial measures mentioned above as productivity, reputation, customer satisfaction, speed of dealing with customers, employee satisfaction and motivation are increased or decreased after the division of their business from sibling's partnership. Results are shown clearly in the graph above.

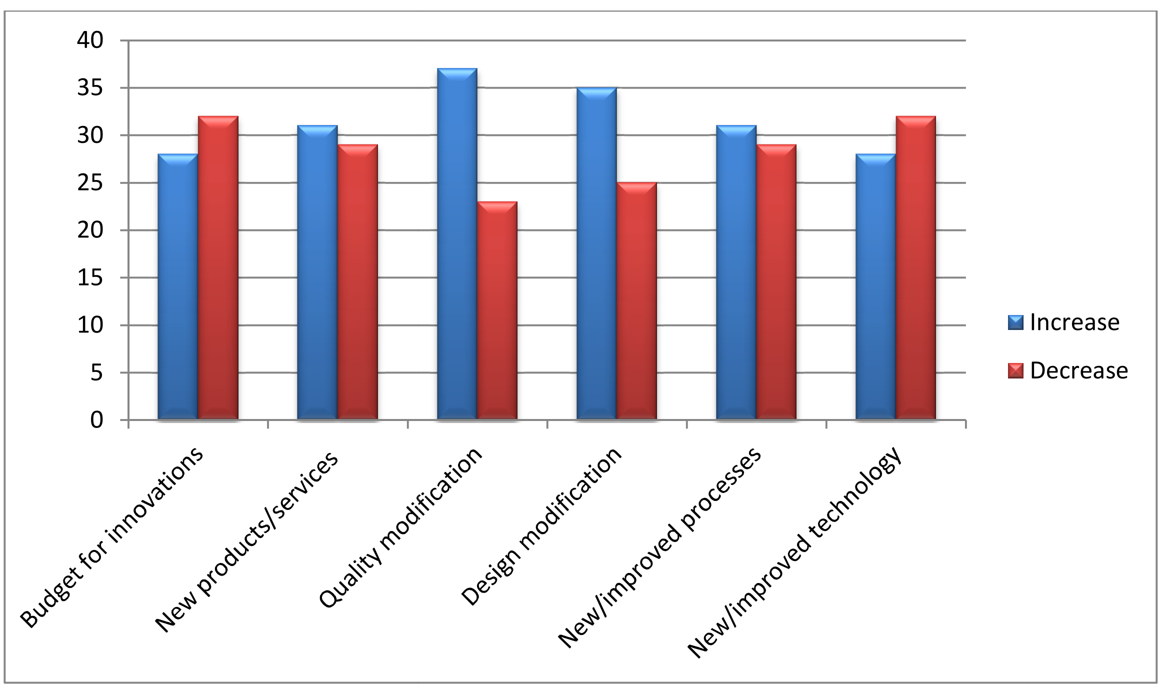

Figure 105. Non-financial Performance Measurements-Innovation

This question is part of non-financial performance measurement, but is related with innovations. Innovation measurement in this question are budget for innovations, new products or services, quality modification, design modification, new or improved processes and new or improved technology. Respondents should answer if factors mentioned above are increased or decreased after family business division. Results are shown clearly in the graph above.

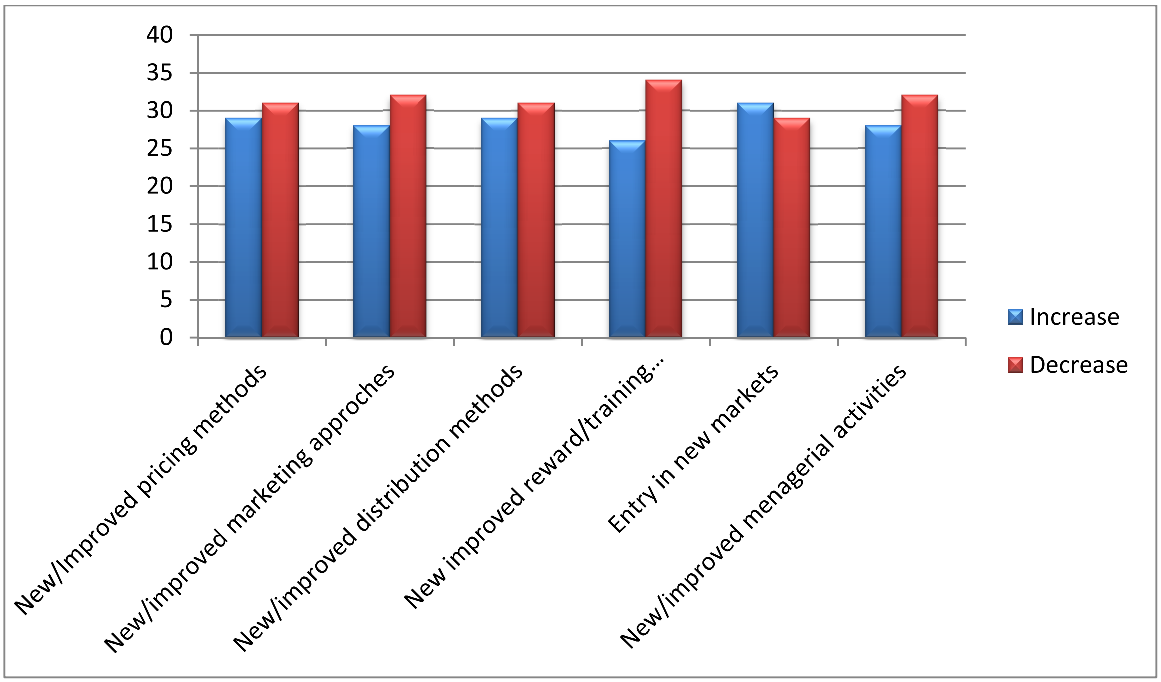

Figure 16.11 Non- financial performance Measurements-Innovation

This question is the continuity of the previous question, with different innovation factors as new or improved pricing methods, new or improved marketing approaches, new or improved distribution methods, new or improved rewards and trainings, entries in new markets and new or improved managerial activities. Respondents should answer if factors mentioned above are increased or decreased after family business division. Results are shown clearly in the graph above.

Model specification and data measurement

This section presents the empirical model for examining the family heritage distribution in family businesses division and the impact divided businesses on their financial performance, non-financial performance. The purpose of this research is to demonstrate the application of Structural Equation Model (SEM) which is very useful for family business researches. This model helped us to examine the dependence between many groups of variables while accounting measurement errors. Through structural equation model we have measured cause-effect relationship between independent variables called exogenous latent variables and dependent variables called endogenous latent variables.

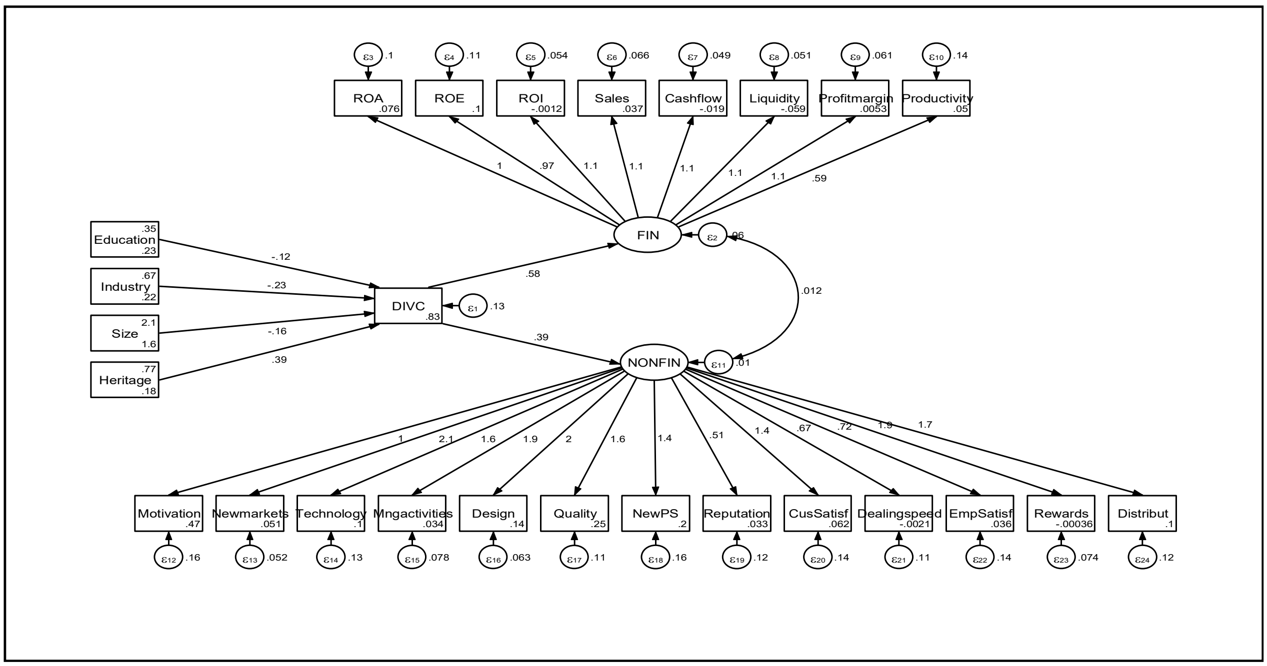

Figure 127. Structural Equation Model (SEM)

Description of the variables

In this research we have endogenous variables, exogenous variables and latent variables. Endogenous variable is the number of divided family businesses, exogenous variables are company size, industry, number of the owners, level of education and some reasons of the family business division, and latent variables are financial performance and non-financial performance of the family businesses including their measurement variables.

DIVC is endogenous variable and is observed based on the question used in the questionnaire. The question that is designed for this purpose aims to know how many of family businesses are divided from their sibling's partnership and now they operate alone. The answer were with three options, the first option was for the companies that are divided, the second option was for the companies that are not divided yet but they want to do it in the future and the third option was for the companies that are not divided from their sibling's partnership and don't want to do it in the future. From 100% of respondents, 41.7% of them don't want to divide their siblings partnership, 36.7% of them have divided their family business with their siblings and now each of them have their own business and 21.7% of respondents actually are not divided but want to do it in the future. DIVC is equal to zero is the answer is no and one for two other options.

Size of the company is exogenous variable; it is derived from the question that is asked for the number of employees in the company. The reason of asking this question is to gather information for the company size and then to verify which companies, small, medium or large companies have higher tendencies to divide from their sibling's partnership.

Industry is exogenous variable. The answers from the questionnaire where for different categories but we have them in two groups, services and retail sector with 33.3% and industrial sector with 66.6% from other industries. This variable will be used to verify which sector is more likely for sibling's partnership and which one is less.

Education is also exogenous variable and it measures the level of the educations of the respondents. The answer of this question has five options, primary, secondary school, university, master and doctoral degree. For our model we have two groups of answers, those with primary and secondary schools are coded with zero and others from other three categories are coded with one. As a result we have 65% of the respondents we have from the first category and 35% others from the second one.

And the last one but not the least exogenous variables are **heritage share, unequal interest of family members and family conflict**. The question in the questionnaire was asked to verify if respondents agree or disagree that options mentioned above cause ore don't cause the division of the sibling's partnership. Respondents that agree that heritage share, unequal interest of family members for their family business and family conflict can run the business to division are coded with one and with zero otherwise. From 60 respondents, 46 agree and 14 disagree with the impact of heritage share on sibling's partnership division, 34 agree and 26 disagree with the impact of unequal interest on sibling's partnership division and 25 agree and 35 disagree with the impact of the conflict on sibling's partnership division.

Financial performance is latent variable which is measured with numerous observed variables. The main reason for creating this variable in the diagram was to analyze the effect DIVC on their financial performance. The question asked in the questionnaire requires from the respondents to estimate the financial performance of the family businesses after their division. Measurement variables are ROA, ROE, ROI, sales growth rate, cash flow, liquidity and profit margin. Respondents have two options to answer; they can say that after division of the company from their sibling's partnership measurement variables mentioned above are increased or decreased. The increased option is coded with one and decreased option with zero. The ROA is estimated with 25 increases and 35 decreases, ROE with 26 increases and 34 decreases, ROI with 23 increases and 27 decreases, Sales rate with 25 increases and 35 decreases, cash flow with 22 increases and 38 decreases, liquidity with 18 increases and 42 decreases, profit margin with 23 increases and 37 decreases and productivity with 15 increases and 45 decreases.

Non-financial performance is latent variable which is measured with observed variables. Our purpose is the same, so to measure the non-financial performance of the family businesses after they were divided from their sibling's partnership. Measure variables for this latent variable are motivation, innovations including innovations in technology, new products or services, new distributors, entry in new markets, quality and design modification, new management activities, reputation, customer satisfaction, employee's satisfaction, rewards and the speed of dealing with customers. Respondents have two options to answer; they can say that after division of the company from their sibling's partnership measurement variables mentioned above are increased or decreased. The increased option is coded with one and decreased option with zero. Reputation is estimated with 9 increases and 51 decreases, customer's satisfaction with 23 increases and 37 decreases, speed of dealing with customers with 9 increases and 51 decreases, employee satisfaction with 12 increases and 48 decreases, motivation with 42 increases and 18 decreases, introduction of new products and services with 31 increases and 29 decreases, quality modification with 27 increases and 23 decreases, design modification with 35 increases and 25 decreases, new technology with28 increases and 32 decreases, distribution methods with 29 increases and 31 decreases, new rewarding schemes with 26 increases and 34 decreases, entry in new markets with 31 increases and 29 decreases and the last one is the new managerial activities evaluated with 28 increases and 32 decreases.

Empirical Results

Endogenous Variable	Exogenous Variables	Path Coefficient	P-value
DIVC	Size	-0.16	0.000

DIVC	Heritage	0.39	0.001
DIVC	Industry	-0.22	0.023
DIVC	Education	-0.11	0.229
	_cons	0.73	0.000

Table 1. Maximum likelihood between Endogenous and Exogenous variables

Note: Path coefficient (+1 strong positive relation; -1 strong negative relation), P-value ($p < 0.05$)

Table 2. Maximum likelihood between Latent and Endogenous variables

Latent Variables	Endogenous Variable	Path Coefficient	P-value
FIN	DIVC	0.58	0.000
NONFIN	DIVC	0.39	0.000

Note: Path coefficient (+1 strong positive relation; -1 strong negative relation), P-value ($p < 0.05$)

Table 3. Goodness of fit

Fit statistic	Value	Results	Description
p > chi2	0.007		Likelihood ratio
RMSEA	0.088		Root mean squared error of approximation
CFI	*0.922*	*Fulfilled*	*Comparative fit index*
TLI	*0.903*	*Fulfilled*	*Tucker-Lewis index*
SRMR	0.065		Standardized root mean squared residual

Note: p > chi2; RMSEA <=0.05; CFI & TLI > 0.90; SRMR <=0.50

Table 4. Coefficients of Determination (R^2 value)

Constructs	R^2
DIVC	0.83
FIN	0.58
NONFIN	0.78

Note: R^2=0.25 weak; R^2=0.50 moderate; R^2=0.75 substantial.

Constructs	Convergent Validity				Consistency Reliability			
	Estimate Loadings	Results	AVE	Results	CR	Results	Cronbach Alpha	Results
FIN			**0.63**	**Fulfilled**	**0.90**	**Fulfilled**	**0.77**	**Fulfilled**

ROE	0.76	Fulfilled						
ROA	0.97	Fulfilled						
ROI	1.13	Fulfilled						
Sales	1.11	Fulfilled						
Cash flow	1.13	Fulfilled						
Liquidity	1.05	Fulfilled						
Profit margin	1.11	Fulfilled						
Productivity	0.59							
NONFIN			**0.53**	**Fulfilled**	**0.89**	**Fulfilled**	**0.85**	**Fulfilled**
Motivation	0.47							
New markets entry	2.05	Fulfilled						
New technology	1.60	Fulfilled						
New managerial activities	1.90	Fulfilled						
New/ improved design	1.95	Fulfilled						
New/ improved quality	1.61	Fulfilled						
New products/services	1.39	Fulfilled						
Reputation	0.51							
Customer satisfaction	1.41	Fulfilled						
Dealing speed with customers	0.67							
Employee satisfaction	0.72	Fulfilled						
New distribution methods	1.67	Fulfilled						
Rewards	1.90	Fulfilled						

Table 5. Convergent Validity and Consistency Reliability

Note: Loadings: 0.708; AVE: 0.5; CR: 0.6-0.9; Cronbach Alpha:0.6-0.9;

Table 6. Variance Inflated Factor (VIF)

Variables	**VIF**	**1/VIF**
Design	4.41	0.226
Quality	4.26	0.234
New markets entry	3.54	0.282
ROA	3.06	0.327
ROE	2.94	0.340
New products/services	2.28	0.439
New technology	2.13	0.469
Productivity	1.56	0.642
Motivation	1.38	0.722
Mean VIF	**2.84**	

Table 7. **Pearson correlations and significance tests**

	DIVC	**Heritage**	**Education**	**Size**	**Industry**
DIVC	1.0000				
Heritage	**0.4929*** 0.0001	1.0000			
Education	-0.2304 0.0766	-0.1735 0.1849	1.0000		
Size	**-0.5286*** 0.0000	**-0.2548*** 0.0495	0.0611 0.6427	1.0000	
Industry	**-0.3108*** 0.0157	-0.1393 0.2884	0.1482 0.2583	0.0750 0.5692	1.0000

Table 8. **Hypotheses Testing**

Path Coefficients	***Z statistics***	**Critical value**	**Significance**	**P values**	**Critical value**	**Significance**
H1:Heritage → DIVC	3.43	1.96	*	0.001	0.05	**
H2: Industry → DIVC	-2.27	1.96		0.023	0.05	*
H3: Education → DIVC	-1.20	1.96		0.229	0.05	
H4: Size → DIVC	-4.36	1.96		0.000	0.05	**
H5: DIVC → FIN	7.16	1.96	*	0.000	0.05	**
H6: DIVC → NONFIN	3.83	1.96	*	0.000	0.05	**

After generating the SEM model we have calculated coefficients, standard errors, p values and 95% confidential interval. The coefficient of the variable Size is negatively related with DIVC which means that if the company size increases the DIVC will decrease by -0.16 on average, holding all other variables constant. The second variable is Heritage which is positively related with DIVC that the increase of interest of family members to share the heritage will increase the DIVC by 0.39 on average, holding all other variables constant. Third variable is Industry, here we categorized two groups of industries including manufacturing companies and retail and trade. Manufacturers are coded with 0 and trade with 1. In this case coefficient -0.22 shows that manufacturing companies have more effect in the DIVC. And the last variable is Education which is also non-linear, and coefficient shows that the increase of the level of education decrease the DIVC by -0.11 in average, holding all other variables constant.

The coefficient of DIVC related with FIN shows us that the increase of DIVC increase the FIN by 0.58 on avarage, holding all other variables constant. And we have also the relations between DIVC and NONFIN, where the increase of DIVC increase also the NONFIN by 0.39 on average, holding all other variables constant. Results show us that the division of family businesses has positive effect in financial performance and non-financial performance of family businesses but bigger effect has on financial performance than non-financial performance.

We have calculated also the fit statistic of our model. For fitting model we need to pay attention to chi2, RMSEA, CFI, TLI and SRMR. These terms have criteria's to help us to evaluate our model if it is fitted or not. Chi2 shows us that our model is not fitted because its value is 0.007, it should be bigger. Root mean squared error of approximation or RMSEA should be equal or smaller than 0.05 to say that the model is fitted, but in our result it is 0.088 and we see that RMSEA also shows that same results like the first method mentioned above. We have two more measurement for this purpose; the following is Comparative fit index or CFI and Tucker-Lewis index or TLI which should be closer to one to say that model is fitted. Our results show us that these two values are 0.922 and 0.903 and are appropriate to say that our model is fitted. The last criteria is Standardized root mean squared residual which must be lower than 0.05 but in our result it is 0.065. It is very close value to 0.05 but still it does not helps us to say that our model is fitted.

The following statistical analysis is R squared or coefficient of determination which measures the fitness of the proposed model of each endogenous constructs. R^2 ranges from 0 to 1, where the higher values indicate greater degree of predictive accuracy. In our model our R2 values are substantial, with 0.58, 0.78 and 0.83.

The reliabilities of the scales range from 0.77 to 0.85, the factor loadings range from 0.47 to 2.05 and the average variances extracted range from 90% to 93%. An acceptable AVE is 0.50 or higher, loadings should be above 0.70 and level of reliability with values 0.60 and 0.70 is accepted whereas values from 0.70 and 0.90 are considered satisfactory to good. Items from our estimation were found to be reliable and valid.

The next step involves reviewing the item's variance inflation factor or VIF. For this purpose we should run a multiple regression for each indicator in the model. The VIF better is to be lower value because if it is higher or more than five, it is more problematic. In our model VIF is 2.84.

We have calculated also the Pearson correlations and significant test for variables DIVC, Heritage, Education, Size and Industry which helped us to measure the strength and the direction of association between variables mentioned above. From results in the table we can see that Heritage is significantly related with DIVC, Education has no significant correlation with none of the variables, Size have significant correlation with DIVC and Heritage and the last variable is Industry which have significant correlation with DIVC.

In the last table we have z statistics values and p values to test the hypothesis. P-value is also part of our interest because shows us wich variable is statisicelly significant. P-value tolds us wether we have evidence from the sample that there is an effect in the population. In our case p-value of Size is 0.000 and it means that it is statistically significant. P-value of Heritage is 0.00, it is also statistically significant. The last one is Industry with p-value 0.025. All these variables are statistically significant because the p-value is less than 0.05. Education is not significant because its p-value is bigger than 0.05, so it is 0.167. The p-value of DIVC related with FIN and NONFIN is statistically siginificant with 0.000. Also in our model are used z statistics because the sample of our model is more that 30. 1.96 is the limit of the z statistics value. With the star symbol are shown statistically significant values which are heritage, financial performance and non-financial performance.

HYPOTHESIS

H1- Share of heritage affects the division of family businesses.

According to SEM model results, division of family businesses is dependent variable and share or heritage is independent variable. The coefficient of the variable heritage is positive and statistically significant at 0.05 level of significance suggesting that if the share of heritage increases the division of family businesses with be 39% higher. So H1 stating that **Share of heritage affects the division of family businesses** is proved and confirmed.

H2-Type of industry affects the division of family businesses.

According to SEM model results, division of family businesses is dependent variable and industry is independent variable. The coefficient of the variable industry is negative and statistically significant at 0.05 level of significance suggesting that companies that operates in trade and wholesale decrease the division of family businesses with 22% and on the other hand companies that operate in the manufacturing industries increase the division of family businesses by 22%. So H2 stating that **Type of industry affects the division of family businesses is** approved and confirmed.

H3-Education level affects the division of family businesses.

According to SEM model results, division of family businesses is dependent variable and education is independent variable. The coefficient of the variable education is negative and statistically not significant at 0.05 level of significance to explain division of family businesses. So H3 stating that **Education affects the division of family businesses** is approved and confirmed.

H4- Company size affects the division of family business.

According to SEM model results, division of family businesses is dependent variable and size of the company is independent variable. The coefficient of the variable size is negative and statistically significant at 0.05 level of significance suggesting that the bigger the size of the company is the division of family businesses with be 16% lower. So H4 stating that **Company size affects the division of family business** is approved and confirmed.

H5-Division of family businesses affects negatively their financial performance.

According to SEM model results, financial performance is dependent variable and division of the family businesses is independent variable. The coefficient of the variable DIVC is positive and statistically significant at 0.05 level of significance suggesting that division of the family businesses with increase their financial performance by 66%. So H5 stating that **Division of family businesses affects negatively their financial performance** is approved and confirmed.

H6-Division of the family businesses positively affects their non-financial performance.

According to SEM model results, non-financial performance is dependent variable and division of the family businesses is independent variable. The coefficient of the variable DIVC is positive and statistically significant at 0.05 level of significance suggesting that division of the family businesses with increase their non-financial performance by 39%. So H6 stating that **Division of family businesses affects positively their non-financial performance** is approved and confirmed.

Conclusion

According to our research that was based on primary sources of data collection with electronic questionnaire through Google survey to 60 family businesses in the Republic of Macedonia and after statistic analysis we came to some conclusions.

Family businesses in our country are important entities because they have a major impact on the economic and social environment. Based on the data collected by family businesses we can see that a majority of them were more successful after the division of their business from their siblings and let us understand that they had difficulties to manage their business collectively. In this case the main reason for failing sibling's partnerships is the lack of clear organizational structure which will divide roles, responsibilities and compensations in professional way for each family member. It also will reduce the conflicts, disagreements and all the other obstacles shown in the business.

The tradition of separating family property is a very widespread phenomenon in our country and therefore a considerable number of family businesses function individually. The most common tradition in this context is gender discrimination. In most of cases still the family wealth is shared to daughters even though they meet the criteria to work in the family business and to be successful managers or even in other positions. And after this family businesses are managed just by sons in the family. Also among brothers there are some other property divisions which unfortunately are not seen as assets for joint investments for greater benefits. Land of family in majority cases is divided between sons in family and it can be as a source of family business divisions.

The industry in which the company operates is another factor analyzed in our research, based on the results we can see that manufacturing companies are more willing to take the initiative to share family businesses. These industries need specialized, highly skilled workers with long work experience. When family members have a lack of interest in engaging early in the company or lacking in experience as a result they came to family business divisions for more successful performance.

Recommendation

According to our research results below show some helpful suggestions for future improvements of family business performances.

Successors of the family businesses should be present in their company from the early age to gain experience and knowledge for each activity in their own business.

Family businesses should define clearly organizational structures to define clearly roles and responsibilities for each family member in the business.

Family businesses always should take as role model successful sibling's partnerships in developed countries for making huge changes.

Family members should be able not to mix the family and the businesses because in this way they avoid conflicts and emotional decisions.

All family members should be evaluated in the fair way because it can be a motivation for them to contribute more to their business.

Family wealth should not be shared between family members in the family; it should e considered as an additional and valuable capital for joint investments.

Family members should receive trainings and advices from various professionals because in this way you can become aware of collective labor benefits. Also results of our research support this recommendation because owners with higher level of education are more likely to work together with siblings than individually.

Restrictions

From 110 distributed questionnaires we have received responds from 60 respondents. Not all companies that we asked to collaborate with us were able and willing to answer our questionnaire even thought the questionnaire was short, clear and we guaranteed that all responds will be confidential.

Our pilot distribution has checked all questions in the questionnaire to be understandable from all respondents. But again, in some questions they required additional information to make the question clear for correct answers. In chapter four we have answers of the questionnaire where are not shown answers for ethnicity and the generation which currently are leading the company because in the ethnicity question 100% of respondents were Albanians and in the second question 100% of family businesses are managed by the first generation.

Small family businesses, especially companies from hospitality industry, event planning and retail sector were more open and more likely to fulfill the questionnaire without any obstacle. Other companies accepted to answer but they asked us a lot not to expose their answers.

Suggestion for future research

My suggestion for the future will be to compare the family business performance in Macedonia with other developed countries and to compare their results.

Also in the future our research can be for family businesses but on other related topics which will be actual in Macedonia and interesting.

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APPENDIX

SURVEY QUESTIONNAIRE

THE INFLUENCE OF THE TRADITIONAL SUCCESSION MODELS OF FAMILY WEALTH IN THE FAMILY BUSINESS PERFORMANCE

The purpose of this questionnaire is to gather information regarding to the influence of the traditional succession models of family wealth in the family businesses and its impact in their performance in Macedonia. We value your honest and detailed responses. The questionnaire should take approximately 5 minutes to complete. Your responses are completely confidential.

Age

Gender

- Male
- Female

Ethnicity

- Albanian
- Macedonian

Education

- Primary school
- Secondary school
- University degree
- Master degree
- Doctoral degree

Main industry

- Agriculture
- Automotive
- Chemical
- Construction
- Cosmetology
- Education

- Electricity
- Event planning
- Hospitality
- Textile
- Transport
- IT services
- Health care
- Manufacturing
- Wholesale& retail trade
- Petroleum
- Financial services

Annual turnover

- Less than €50.000
- €50.000 - €100.000
- €100.000 - €500.000
- €500.000 - €1.000.000
- €1.000.000 - €5.000.000
- More than €5.000.000

Which generation is leading your company?

- 1st generation
- 2nd generation
- 3rd generation
- 4th generation

What is your position in your company?

- Owner
- Manager
- Supervisor
- Assistant

How many owners have your company?

How long have you been working in your company?

How many employees do you have?

Have you divided your company from sibling partnership to manage it by yourself?

- Yes
- No
- No but I want to do it in the future

Do you think that factors mentioned below are the reasons of the division of your family business or can be in the future?

- Share of heritage
- Sibling with different personalities
- Unequal interest and contribution for business activities
- Family conflicts
- Successor determination

Financial performance

Please evaluate if the following financial measures are increased or decreased after the division of your business.

	Increase	Decrease
Return on assets (ROA, %)		
Return on equity (ROE, %)		
Return on investments (ROI, %)		
Sales growth rate		
Cash flow		
Liquidity		
Profit margin		
Productivity		

Non-financial performance

Please evaluate if the following non-financial measures are increased or decreased after the division of your business.

	Increase	Decrease
Reputation		
Customer satisfaction		
Speed of dealing with customers		
Employee satisfaction		

Motivation		
Budget for innovations		
Introduction of new products/services		
Quality modification of existing products/services		
Design modification of existing products		
New or improved processes		
New or improved technology		
New or improved pricing methods		
New or improved marketing approaches		
New or improved distribution methods		
New or improved reward/training schemes		
Entry in new markets		
New or improved managerial activities		